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This announcement is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any securities and neither this announcement nor anything in it forms the basis for any contract or commitment whatsoever. Neither this announcement nor any copy of it may be taken into or distributed in the United States.

The information contained in this announcement is not for distribution, directly or indirectly, in or into the United States (including its territories and dependencies, any state of the United States and the District of Columbia). This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The Bonds mentioned in this announcement have not been, and will not be, registered under the Securities Act. The Bonds may not be offered or sold in the United States except pursuant to registration or an exemption from the registration requirements of the Securities Act. The offering is not being made in the United States.

Notice to Hong Kong investors: The Company (as defined below) confirms that the Bonds (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Company confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

PUBLICATION OF THE OFFERING CIRCULAR

儒意控股 RUYI HOLDINGS

China Ruyi Holdings Limited

（中國儒意控股有限公司）

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

HK$2,341 MILLION 3.95% CONVERTIBLE BONDS DUE 2030 (the "Bonds")
(Stock Code: 5512)

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

(in alphabetical order)

BofA SECURITIES CITIC SECURITIES Deutsche Bank Goldman Sachs MACQUARIE

This announcement is issued by China Ruyi Holdings Limited (中國儒意控股有限公司) (the "**Company**") pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

Reference is made to the notice of listing of the Bonds on the Stock Exchange dated 22 April 2025 published by the Company. Please refer to the offering circular dated 14 April 2025 (the "**Offering Circular**") appended hereto in relation to the HK$2,341 million 3.95% convertible bonds due 2030.

As disclosed in the Offering Circular, the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

By order of the Board
China Ruyi Holdings Limited
（中國儒意控股有限公司）
Ke Liming
Chairman

Hong Kong, 23 April 2025

As at the date of this announcement, the executive Directors of the Company are Mr. Ke Liming and Mr. Zhang Qiang; the non-executive Director of the Company is Mr. Yang Ming; and the independent non-executive Directors of the Company are Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE PERSONS OUTSIDE THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular attached to this e-mail. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from China Ruyi Holdings Limited (中國儒意控股有限公司) (the "**Issuer**") as a result of such access.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to CLSA Limited, Deutsche Bank AG, Hong Kong Branch, Goldman Sachs (Asia) L.L.C., Macquarie Capital Limited and Merrill Lynch (Asia Pacific) Limited (the "Joint Lead Managers"), that (1) you are outside the United States, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, to the extent you purchase the securities described in the attached offering circular, you will be doing so in an offshore transaction in reliance on Regulation S under the Securities Act AND (2) you consent to delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

Section 309B Notification *— In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "***SFA***")* and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)) that the Bonds (as defined herein) are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The attached offering circular is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129.

Prohibition of Sales to EEA Retail Investors — The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors — The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; and (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance/Professional investors and ECPs only target market — Solely for the purposes of Deutsche Bank AG, Hong Kong Branch's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU, as amended, ("**MiFID II**"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (an "**EU distributor**") should take into consideration Deutsche Bank AG, Hong Kong Branch's

target market assessment; however, an EU distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining Deutsche Bank AG, Hong Kong Branch's target market assessment) and determining appropriate distribution channels.

The communication of the attached offering circular and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended ("**FSMA**"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the securities described in the attached offering circular are only available to, and any investment or investment activity to which the attached offering circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached offering circular or any of its contents.

Restrictions: The attached document is an offering circular and is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described therein.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Joint Lead Managers, the Trustee (as defined herein), the Agents (as defined in the Conditions) or any of their respective directors, employees, representatives, agents, advisers, officers or affiliates, or any person who controls any of them, accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Joint Lead Managers will provide a hard copy version to you upon request.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer or the Joint Lead Managers, or the Trustee or any of the Agents to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers and their respective affiliates on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions that You May Not Take: You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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儒意控股
RUYI HOLDINGS

CHINA RUYI HOLDINGS LIMITED

(中國儒意控股有限公司)

(incorporated in Bermuda with limited liability)

HK$2,341 Million 3.95 Per Cent. Convertible Bonds due 2030
Issue Price: 100.00 per cent.

The HK$2,341 million 3.95 Per Cent. Convertible Bonds due 2030 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with the terms and conditions of the Bonds set out in "Terms and Conditions of the Bonds" (the "**Conditions**" and each of the Conditions, a "**Condition**") and consolidated and forming a single series therewith) will be issued by China Ruyi Holdings Limited (中國儒意控股有限公司) (the "**Issuer**" or the "**Company**") on April 22, 2025 (the "**Issue Date**"). The issue price of the Bonds shall be 100.00 per cent. of the aggregate principal amount of the Bonds and the denomination of each Bond shall be HK$2,000,000 each and integral multiples of HK$1,000,000 in excess thereof.

The Bonds will constitute direct, unsubordinated, unconditional and (subject to the Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. Each Bondholder (as defined in the Conditions) will have the right to convert any Bonds held by it into ordinary shares of par value HK$0.02 each in the share capital of the Issuer (the "**Shares**") at any time during the Conversion Period (as defined in the Conditions). The price at which Shares will be issued upon conversion (the "**Conversion Price**") will initially be HK$2.704 per Share. The Conversion Price is subject to adjustment in accordance with the Conditions. The Shares are listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") under stock code 0136. The closing price of the Shares on April 14, 2025 was HK$2.31 per Share.

Unless previously redeemed, converted or purchased and canceled as provided in the Conditions, the Issuer will redeem each Bond at 100 per cent. of its aggregate principal amount together with accrued and unpaid interest thereon on April 22, 2030. On giving not less than 30 nor more than 60 days' notice to the Bondholders, the Issuer may redeem all, but not some only, of the Bonds at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) (a) on the occurrence of certain tax-related events, (b) if, at any time prior to the Maturity Date, at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and canceled, or (c) if, at any time after 3 years and 14 days from the Issue Date and prior to the Maturity Date, the Closing Price of the Shares for each of 20 out of 30 consecutive Trading Days, the last of which occurs immediately prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the Conversion Price then in effect, in each case, pursuant to and in accordance with the Conditions.

The Issuer will, at the option of the holder of any Bond, redeem all or some only of such holder's Bonds on April 22, 2028 at 100 per cent. of their principal amount, together with interest accrued but unpaid up to (but excluding) such date. If (a) the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 30 consecutive Trading Days on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange (as defined in the Conditions)); (b) there is a Change of Control (as defined in the Conditions); (c) less than 25 per cent. of the Issuer's total number of issued Shares are held by the public (as interpreted under LR8.24 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited); or (d) a VIE Triggering Event (as defined in the Conditions) occurs, the holder of each Bond will have the right at such holder's option to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Redemption Date (as defined in the Conditions) at the redemption price equal to their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date. See "Terms and Conditions of the Bonds — Redemption, Purchase and Cancelation".

With reference to the Administration Measures for the Examination and Registration of Medium and Long-term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) ("**Order 56**") issued by the National Development and Reform Commission of the People's Republic of China (the "**NDRC**") and which came into effect on February 10, 2023, and any implementation rules, reports, certificates or guidelines as issued by the NDRC from time to time, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on October 17, 2024 evidencing such registration which remains valid and in full force and effect. The Issuer will undertake to file or report or cause to be filed or reported the requisite information and documents within the relevant prescribed timeframes after the Issue Date to the NDRC or its competent local counterparts in accordance with Order 56 (the "**NDRC Post-Issuance Reporting**", which term for the avoidance of doubt, includes the Initial NDRC Post-Issuance Reporting) and comply with all continuing obligations under Order 56 and other applicable PRC laws and regulations in relation to the issue of the Bonds. The Issuer will undertake to file or cause to be filed with the China Securities Regulatory Commission (the "**CSRC**") within the relevant prescribed timeframes after the Issue Date the requisite information and documents in respect of the Bonds in accordance with the CSRC Filing Rules (as defined in the Conditions) (the "CSRC Post-Issuance Filings", which term for the avoidance of doubt, includes the Initial CSRC Post-Issuance Filing) and comply with the continuing obligations under the CSRC Filing Rules and any implementation rules as issued by the CSRC from time to time.

Application will be submitted to the Hong Kong Stock Exchange for (i) the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "**Professional Investors**") only; and (ii) the listing of, and permission to deal in, the Shares issuable on conversion of the Bonds, and such permissions are expected to become effective on April 23, 2025 and when such Shares are issued, respectively. The Offering Circular is for distribution to Professional Investors only.

NOTICE TO HONG KONG INVESTORS — The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or the Group (as defined below) or the quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

For transfer restrictions, see "Subscription and Sale". Conditional approval for the listing of the Shares to be issued on conversion of the Bonds on the Hong Kong Stock Exchange has been granted by the Hong Kong Stock Exchange. The Issuer will file with the China Securities Regulatory Commission ("**the CSRC**") within three working days after the issuance of the Bonds is completed in accordance with the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法). Each prospective investor will be deemed to have agreed with the Issuer and the Joint Lead Managers that it may, to the extent required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission (the "**SFC**"), disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this offering circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering circular.

Investing in the Bonds and the Shares involves certain risks. See "Risk Factors" beginning on page 22 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Shares to be issued upon conversion of the Bonds may only be offered outside the United Sates in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this offering circular, see "Subscription and Sale".

The Bonds will initially be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**", and together with Euroclear, the "**Clearing Systems**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

BofA Securities	**CITIC Securities**	**Deutsche Bank**	**Goldman Sachs (Asia) L.L.C.**	**Macquarie Capital Limited**

The date of this offering circular is April 14, 2025.

TABLE OF CONTENTS

	Page
CERTAIN DEFINITIONS AND CONVENTIONS	1
FORWARD-LOOKING STATEMENTS	2
ENFORCEMENT OF CIVIL LIABILITIES	4
REPRODUCTION OF FINANCIAL INFORMATION	5
SUMMARY	6
THE OFFERING	10
SUMMARY FINANCIAL INFORMATION	18
RISK FACTORS	22
USE OF PROCEEDS	67
MARKET PRICE INFORMATION	68
EXCHANGE RATE INFORMATION	69
CAPITALIZATION AND INDEBTEDNESS	72
CORPORATE STRUCTURE	73
BUSINESS	74
REGULATION	97
DIRECTORS	113
PRINCIPAL SHAREHOLDERS	121
RELATED PARTY TRANSACTIONS	122
DIVIDENDS AND DIVIDEND POLICY	123
TERMS AND CONDITIONS OF THE BONDS	125
THE GLOBAL CERTIFICATE	168
DESCRIPTION OF THE SHARES	170
TAXATION	185
SUBSCRIPTION AND SALE	189
LEGAL MATTERS	197
INDEPENDENT AUDITOR	198
GENERAL INFORMATION	199
INDEX TO THE FINANCIAL STATEMENTS	F-1

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR ANY OF ITS SUBSIDIARIES OR AFFILIATED ENTITIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

The contents of this offering circular have not been reviewed by any regulatory authority in Hong Kong, Singapore or elsewhere. Investors are advised to exercise caution in relation to the Offering described herein. If investors are in any doubt about any of the contents of this offering circular, they should obtain independent professional advice.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; and (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation Notice to Prospective Investors in the United Kingdom.

The communication of this offering circular and any other document or materials relating to the issue of the Bonds offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the

Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Bonds offered hereby are only available to, and any investment or investment activity to which this offering circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering circular or any of its contents.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Joint Lead Managers, are "capital market intermediaries" ("CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "Code"). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (OCs) for this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or their respective group companies would be considered under the Code as having an association ("Association") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including their respective group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private bank(s) which acts as a CMI in connection with this offering ("Private Banks")) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Lead Managers and/or any other third parties as may be

required by the Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

Each of the Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

Prospective investors should not construe anything in this offering circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this offering circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

The Issuer, having made all reasonable enquiries, confirms that to its best knowledge and belief (i) this offering circular contains all information with respect to the Issuer and its consolidated subsidiaries and controlled entities taken as a whole and to the Bonds and the Shares, which is material in the context of the issue and offering of the Bonds (including information which is required by applicable laws and regulations of Bermuda and Hong Kong and the rules and regulations of the Hong Kong Stock Exchange), (ii) all statements of fact contained in this offering circular are true and accurate in all material respects and not misleading in any material respect, (iii) all statements of opinions, intention or expectation contained in this offering circular are truly and honestly held and have been made after due and careful consideration of all relevant circumstances and have been based on the assumptions stated in this offering circular, (iv) no fact or matter has been omitted from this offering circular: (a) which is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and any other member of the Group and of the rights attaching to the Bonds and the Shares, (b) the omission of which will make any statement in this offering circular misleading in any material respect, or (c) which in the context of the issue and offering of the Bonds is material for disclosure in this offering circular, and (v) all reasonable enquiries have been made by the directors of the Issuer to ascertain such facts and to verify the accuracy of all the foregoing information and statements. This offering circular includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this offering circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

This offering circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this offering circular. The distribution of this offering circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this offering circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this offering circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares deliverable upon conversion of the Bonds,

and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this offering circular, see "Subscription and Sale".

No person has been or is authorized to give any information or to make any representation concerning the Issuer, the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Joint Lead Managers, China Construction Bank (Asia) Corporation Limited as the trustee (the "Trustee") or the Agents (as defined in the Conditions) or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them. Neither the delivery of this offering circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This offering circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful. This offering circular is not intended to invite offers to subscribe for or purchase the Shares.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this offering circular, and nothing contained in this offering circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them has independently verified any of the information contained in this offering circular and none of them can give any assurance that this information is accurate, truthful or complete. This offering circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them that any recipient of this offering circular should purchase the Bonds.

Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this offering circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the Offering, including the merits and risks involved. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Bonds. Each person receiving this offering circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them accepts any responsibility for the contents of this offering circular. The Joint Lead

Managers, the Trustee and the Agents and each of their respective directors, officers, employees, agents, representatives, advisers and affiliates and each person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer or the Group after the date of this offering circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them.

Except as otherwise indicated in this offering circular, all non-Issuer specific statistics and data relating to the industry or to the economic development of Hong Kong or any other jurisdiction have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Issuer the Trustee, the Agents or the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them, and none of the Issuer, the Trustee, the Agents, the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

In connection with the issue of any Bonds, each of the Joint Lead Managers in its role as stabilizing manager (the "Stabilizing Manager") (or persons acting on behalf of a Stabilizing Manager) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds and/or the Shares at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake any stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager (or persons acting on behalf of a Stabilizing Manager) in accordance with all applicable laws and rules.

We reserve the right to withdraw the offering of Bonds at any time, and the Joint Lead Managers reserve the right to reject any commitment to subscribe for the Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of Bonds sought by such purchaser. The Joint Lead Managers and certain related entities may acquire for their own account a portion of the Bonds.

CERTAIN DEFINITIONS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which you should consider when reading the information herein. The terms the "**Company**" or the "**Issuer**" are referring to China Ruyi Holdings Limited (中國儒意控股有限公司), and the term the "**Group**" is referring to the Company and its consolidated subsidiaries and controlled entities taken as a whole. The terms "**we**", "**us**", "**our**" and words of similar import are referring to the Company or the Group, as the context requires. The term the "**Director(s)**" is referring to the director(s) of the Company and the term the "**Board of Directors**" or the "**Board**" is referring to the board of directors of the Company.

Market data, industry forecast and statistics of the PRC and content production and online streaming industry in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Group believes this information to be reliable, it has not been independently verified by us or the Joint Lead Managers, the Trustee or the Agents, or their respective directors and advisers, and neither the Group, the Joint Lead Managers, the Trustee or the Agents, nor our or their respective directors and advisers make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and statistics of the PRC and related industry.

Unless otherwise specified or the context requires, references herein to "**Hong Kong dollars**" and "**HK$**" are to the lawful currency of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), references herein to "**U.S. dollars**" and "**US$**" are to the lawful currency of the United States of America (the "**United States**" or the "**U.S.**") and references herein to "**Renminbi**" and "**RMB**" are to the lawful currency of the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan of the People's Republic of China (the "**PRC**" or "**China**").

References to "**HKFRS**" are to Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Unless otherwise stated, all financial information presented in this Offering Circular is based on our consolidated financial statements prepared in accordance with HKFRS.

References to the "**PRC**" and "**China**" and "**Mainland China**" are to the People's Republic of China and, for the purposes of this offering circular, except where the context requires, do not include Hong Kong, the Macau Special Administrative Region of the PRC ("**Macau**"), or Taiwan. The "**PRC government**" or the "**State**" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down to the nearest whole number. Therefore, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. In addition, certain percentages presented in the tables in this Offering Circular may reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers. References to information in billions of units are to the equivalent of a thousand million units.

The English names of PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

Unless the context otherwise requires, references to "**2022**", "**2023**" and "**2024**" in this Offering Circular are to our financial years ended December 31, 2022, 2023 and 2024, respectively.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular are not historical facts and are forward-looking statements. This Offering Circular may contain words such as "believe", "could", "may", "will", "target", "estimate", "project", "predict", "forecast", "guideline", "should", "plan", "expect" and "anticipate" and similar expressions that are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Particularly, statements under the sections "*Summary*", "*Risk Factors*", "*Business*" and sections relating to the following matters may include forward-looking statements regarding:

- the financial position, business strategy, competitive environment, prospects, capital expenditure and investment plans of the Group;
- the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations);
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- general political and economic conditions, including those related to the PRC; and
- other factors, including those discussed in "Risk Factors".

Forward-looking statements involve inherent risks and uncertainties. Should one or more of these or other uncertainties or risks materialize, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed, and anticipated improvements in capacity, performance or profit levels might not be fully realized or may materially differ from information contained in the forward-looking statements included herein as a result of a number of factors, including among others:

- the ability of the Group to successfully implement its business strategies and to successfully develop business opportunities that the Group might pursue;
- changes and volatility in interest rates;
- any legislative, accounting or regulatory changes in jurisdictions where the Group conducts its business;
- changes in the Group's competitive environment;
- the effect of adverse economic conditions on the economies where the Group conducts its business on the Group's industry;
- the financial position, business strategy, competitive environment, prospects, capital expenditure and investment plans of the Group;
- the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations);

- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business; and

- the risk factors discussed in this Offering Circular (see "*Risk Factors*" herein) and other factors beyond the Issuer's control.

Although we believe that the expectations of our management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct or occur at all. Accordingly, investors are cautioned not to place undue reliance on the forward-looking statements. Subject to compliance with applicable regulatory requirements, the Issuer does not intend to update or otherwise revised the forward-looking statements in this Offering Circular, whether as a result of new information, future events or otherwise.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in Bermuda with limited liability. Bermuda and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

All of our assets are located outside the United States. In addition, all of our directors and officers are nationals or residents of countries other than the United States (principally, the PRC), and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or such persons or to enforce against us or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court and seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for a debt or a definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

(a) was obtained by fraud;

(b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules) according to Hong Kong rules;

(c) is contrary to public policy or natural justice;

(d) is based on foreign penal, revenue or other public law; or

(e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance.

Further, we have been advised by our PRC legal counsel, Commerce & Finance Law Offices, and our Bermuda legal counsel, Conyers Dill & Pearman, that there is uncertainty as to whether the courts of the PRC and Bermuda, respectively, would (i) enforce judgments of the U.S. courts obtained against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (ii) entertain original actions brought in the courts of the PRC and Bermuda, respectively, against us or our directors and officers predicated upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

We have been further advised by our Bermuda legal counsel, Conyers Dill & Pearman, that the courts of Bermuda would recognize as a valid judgment, a final and conclusive judgment in personam obtained in any United States court against the Company under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of Bermuda; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of Bermuda; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of Bermuda; and (f) there is due compliance with the correct procedures under the laws of Bermuda.

REPRODUCTION OF FINANCIAL INFORMATION

The consolidated financial information of the Group as of and for each of the years ended December 31, 2022, 2023 and 2024 is derived from the audited consolidated financial statements of the Group as of and for the years ended December 31, 2023 and 2024 (the "**Audited Financial Statements**"), and the auditor's report in respect of each such financial year, which are contained in our annual reports for 2023 and 2024, respectively, are reproduced in, and form part of, this Offering Circular.

Copies of the aforementioned annual reports and announcement: (i) may be downloaded free of charge from the website of the Hong Kong Stock Exchange at http://www.hkex.com.hk (the other contents of this website and contents accessible through hyperlinks included on this website do not form part of this Offering Circular); and will be available for inspection at the our principal place of business at Room 3701, 37/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong during normal business hours so long as any Bond is outstanding.

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), which differ in certain material respects from generally accepted accounting principles in other jurisdictions. Our reporting currency is the Renminbi. See "*Risk factors — Risks relating to the Bonds and the Shares — There may be less publicly available information about us than is available in certain other jurisdictions.*"

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors. Prospective investors should therefore read this Offering Circular in its entirety. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.

OVERVIEW

We are a film and television production and online streaming and online gaming platform with competitive edge in the PRC. On January 20, 2021, we completed the acquisition of 100% of all issued shares in Virtual Cinema Entertainment Limited, which together with its subsidiaries and variable interest entities, formed the major part of our film and television drama production and online streaming platform. We entered into gaming business in 2022 under the brand "JINGXIU".

We have leading film and television production capabilities in China. Since its establishment in 2006, Ruyi Films has incubated the creation of film and drama series copyrights, leveraging its creative scripts, accurate market positioning, professional resource consolidation, standardized production management and rich experience in promotion and distribution. In 2023, our main productions, including "Five Hundred Miles" (交換人生), "Post-Truth" (保你平安), and "One and Only" (熱烈), were well-received. Co-productions like "Lost in the Stars" (消失的她) and "Johnny Keep Walking" (年會不能停) also performed strongly at the box office. Our television dramas "Love is Full of Jiudaowan" (情滿九道彎) and "Fireworks of My Heart" (我的人間煙火) earned good ratings and reputation. Despite a tough market in 2024, films we invested in gained positive feedback. Notably, "Detective Chinatown1900" (唐探1900) in which the Company participated in production, achieved a box office of RMB3.4 billion during the 2025 Spring Festival period, and "Boonie Bears: Future Reborn" (熊出沒 • 重啟未來) surpassed RMB800 million at the box office.

We operate an online streaming platform, namely Pumpkin Films. Pumpkin Films is not only a membership subscription-based online streaming platform offering a wide range of film and television dramas, but also an advanced technology platform with powerful algorithm and data analysis capabilities. In 2023 and 2024, Pumpkin Films maintained steady and rapid growth in new members. Relying on the huge online content market in the PRC, Pumpkin Films has reached agency cooperation, some of which are exclusive, for the distribution of streaming rights in mainland China with film and television production companies and copyright agencies domestically and overseas. We also cooperate with domestic Internet platforms, network operators, and smart device manufacturers to diversify our channels of introducing and distributing contents. Pumpkin Films platform has a content bank of programs, including movies and TV drama series, genres covering action, criminal, thrill, comedy and science fiction. We also received strong support from our shareholder, Tencent Holdings Limited ("**Tencent Holdings**", together with its subsidiaries and controlled entities referred to as "**Tencent Group**") . In April 2021, Pumpkin Films entered into an agreement with Tencent Holdings, allowing subscribers of Pumpkin Films to gain access to an extensive number of movies, television dramas and online dramas under the copyright of an integrated online video and streaming service platform operated by Tencent Technology (Beijing) Company Limited* (騰訊科技(北京)有限公司)'s affiliate.

We operate our game business under brand "景秀JINGXIU". Through our game business we are able to further monetize our proprietary IP rights from film and television dramas, creating synergy between films and games. Our online game business experienced remarkable growth in 2023, recording a revenue of RMB446 million for the year ended December 31, 2023, representing a 703.2% growth from that of 2022. In 2024, Jingxiu launched several successful games, including "Ragnarok ORIGIN" (仙境傳說：愛如初見) and "Civilization Mobile" (世界啟元) contributing to a substantial revenue increase. Our gaming business achieved RMB1.992 billion in revenue for the year ended December 31, 2024, representing a year-on-year increase of 346.6%. Jingxiu strategically focuses on the integration of technologies with operations, leveraging AI technology to drive innovation and enhance user experience. We also expand our IP ecosystem through strategic investments and partnerships, further solidifying our position in the gaming industry. With a robust portfolio of pipeline projects and a commitment to high-quality content, we believe that Jingxiu is poised for continued growth and success in the market.

In 2024, amidst a complex and ever-changing market environment, we leveraged our forward-looking strategic positioning, actively integrated industry resources, and continuously optimized our diversified business structure, achieving sound performance in revenue during the financial year ended December 31, 2024. Also, our annual revenue showed steady growth, with significant synergies across various business segments. For the years ended December 31, 2023 and 2024, we generated a total revenue of RMB3,627 million and RMB3,671 million, respectively, most of which were generated from content production, online streaming and online gaming businesses, accounting for 99.1% and 99.0%, respectively, of our total revenue of the same year. We had a profit for the year of RMB682.5 million for the year ended December 31, 2023 which was attributed by the responsive measures taken by us in our film and television drama production business segment and the gradual recovery of the market environment after the pandemic. We recorded a loss for the year of RMB206.6 million for the year ended December 31, 2024 which was mainly due to the loss arising from the fair value change of the warrants issued by the Company for the acquisition of Virtual Cinema Entertainment Limited at the beginning of 2021, which were fully exercised in the financial year of 2024.

RECENT DEVELOPMENT

Meanwhile, in 2024, we reached collaborations with Lightspeed & Quantum Studios under Tencent Holdings and the renowned French game company Ubisoft Entertainment ("**Ubisoft**"), with an aim to develop and distribute a game named "Heroes of Might & Magic: Lordship Rivalry" (魔法門之英雄無敵：領主爭霸) based on Ubisoft's well-known IP, the "Heroes of Might & Magic" series, which is scheduled to commence external commercial testing within 2025. On January 13, 2025, we also entered into an equity transfer agreement to acquire 30% equity interest in Beijing Yonghang Technology Company Limited ("**Beijing Yonghang**"). The core assets of Beijing Yonghang include the R&D assets of games in the PRC such as "QQ Dance" (QQ炫舞), "QQ Dance II" (QQ炫舞2) and "QQ Dance Mobile" (QQ炫舞手遊). QQ Dance series are national classic game IPs with a history of over fifteen years, with music and dance as the core, providing a rich variety of dance modes, a massive pop music library and a powerful social system. Players can make friends, interact with each other, and show their personality in the game. Hundreds of millions of registered users have been accumulated in "QQ Dance", "QQ Dance II" and "QQ Dance Mobile", which makes them take a leading position in domestic music and dance games. The acquisition supplemented our strategic operation experience in the gaming sector, thereby assisting us in continuously deepening our gaming business, and further enhancing the overall competitiveness and market influence of our gaming business. We plan to fully leverage our resource advantages in the film and television field, by utilizing our rich star resources and theater-chain resources to facilitate game promotion. At the same time, as a leading domestic film and television production company with a full-industrial-chain layout, we plan to jointly explore the film-game model with Beijing Yonghang, striving to build "QQ Dance" (QQ炫舞) into a globally renowned comprehensive entertainment IP, in a bid to maximize the IP value, and drive innovative breakthroughs and growth of the business.

COMPETITIVE STRENGTHS

We believe the following competitive strengths of our Company have contributed to our past success and will have a profound impact on our future growth:

- Pumpkin Films is equipped with strong information technology capability to achieve growth.
- We are well-positioned to enhance our IP monetization capability and expand the horizon of our business by entering the gaming industry.
- We have leading film and television production capabilities with our producer-centric model in China, and have independently produced a number of blockbuster films and drama series, providing continuous content support and long-lasting vitality for our online streaming business.
- We have a visionary and experienced management team with in-depth industry knowledge, which not only forged our success in the past but also is expected to lead us to our future success.
- We leverage AI technology which drives innovation and enhances our competitive strengths.

BUSINESS STRATEGIES

Our objective is to strengthen our position in the PRC content production, online streaming and online gaming market, and enhance our overall competitiveness. To achieve this objective, we plan to execute the following business strategies:

- Continue to enrich content offerings to include high-quality game portfolio
- Continue to develop our content production
- Continue to leverage the shareholder's strong support
- Continue to attract and retain talented professionals

RISK FACTORS

There are certain risks and uncertainties relating to our business and the industries we operate in, our corporate structure, our business operations in China, and the Bonds and Shares, many of which are beyond our control. We believe our major risks include:

- We operate in a fast-evolving industry. We cannot guarantee that we will successfully implement our commercialization strategies or develop new ones, or generate sustainable revenues and profit.
- If the drama series, films and games we produce and/or distribute fail to satisfy the preferences of our customers, our business, results of operations and financial condition may be materially and adversely affected.
- If we fail to keep up with rapid changes in technologies and their impact on user behavior, we may not be able to attract sufficient user traffic to remain competitive, and our business and prospects may be materially and adversely affected.

- We have limited track record for the current main business, i.e. content production, live streaming and gaming and may not sustain the level of growth in recent years.

- Failure to retain our business relationships with Tencent Holdings may affect our results of operations and financial performance.

- Our business operations are subject to extensive government regulations and compliance requirements. Any promulgation of additional or more stringent laws or regulations on the production and distribution of drama series and films by the PRC government may result in an adverse effect on our business and results of operations.

The risks mentioned above are not the only significant risks that may affect our operations. As different investors may have different interpretation and standards for determining materiality of risk, you are cautioned that you should carefully read the "*Risk Factors*" section in its entirety.

THE OFFERING

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to investors. The full Conditions are set out in the section of this offering circular entitled "Terms and Conditions of the Bonds." Capitalized terms used in this summary and not otherwise defined shall have the meaning given to them in the Conditions.

Issuer	China Ruyi Holdings Limited (中國儒意控股有限公司).
Bonds	HK$2,341 million 3.95 per cent. Convertible Bonds due 2030. The issue of the Bonds was authorized by a resolution of the Board of Directors of the Issuer passed on April 13, 2025. The Shares (as defined in Condition 6(A)(v)) to be issued upon conversion of the Bonds are to be issued pursuant to the general mandate granted by the shareholders of the Company to the Directors of the Issuer at its annual general meeting held on June 18, 2024.
Issue Price	The Bonds will be issued at 100 per cent. of their principal amount.
Issue Date	April 22, 2025.
Maturity Date	April 22, 2030.
Interest	3.95 per cent. per annum, payable semi-annually in arrear on April 22, and October 22, in each year, beginning on October 22, 2025.
Redemption at Maturity	Unless previously redeemed, converted or purchased and canceled as provided in the Conditions, the Issuer will redeem each Bond at 100 per cent. of its aggregate principal amount together with accrued and unpaid interest thereon on April 22, 2030.
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Conversion Right and Period	Subject as provided in the Terms and Conditions, each Bondholder has the right to convert the Bonds held by it into Shares credited as fully paid at any time during the Conversion Period referred to below (the "Conversion Right"). Subject to and upon compliance with the provisions of Condition 6, the Conversion Right (as defined in Condition 6(A)(i)) attaching to any Bond may be exercised in respect of such Bond, at the option of the holder thereof, at any time on or after June 2, 2025 up to (a) the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 Trading Days prior to the Maturity Date (but, except as provided in Condition 6(A)(iv), in no event thereafter) or (b) if such Bond shall have been called for redemption before the Maturity Date (as defined in Condition 8(A)), then up to the close of business (at the place aforesaid) on a date no later than 10 business days (in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D) or Condition 8(E), up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (the "Conversion Period"). Please see Condition 6(A)(i).
Conversion Price	The price at which Shares will be issued upon conversion (the "Conversion Price") will initially be HK$2.704 per Share but will be subject to adjustment in the manner provided in Condition 6(C) and Condition 6(D).
Negative Pledge	The Issuer undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed, it will not, and will procure that none of its Principal Subsidiaries (as defined in the Conditions) will create or permit to subsist or arise any Security Interest upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any such Principal Subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Bonds are (i) secured equally and rateably by the same Security Interest or (ii) at the option of the Issuer by such other security, guarantee, indemnity or other arrangement (a) as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders, or (b) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

Redemption for Taxation Reasons	At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "Tax Redemption Notice") to the Bondholders in accordance with Condition 18 and to the Trustee and the Principal Agent in writing (which notice shall be irrevocable) redeem all but not some only of the Bonds at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date (the "Tax Redemption Date") if the Issuer satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice that (a) the Issuer has or will become obliged to pay additional amounts as referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Bermuda, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Please see Condition 8(C). If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal, or premium (if any) to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and payment of all amounts by the Issuer to such holder in respect of such Bond(s) shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. Please see Condition 8(C).

Redemption at the Option of the Issuer	On giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 18 and to the Trustee and Principal Agent in writing (which notice shall be irrevocable), the Issuer may: (i) at any time on or after 3 years and 14 days from the Issue Date and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid), provided that the Closing Price of the Shares (translated into U.S. dollars at the Prevailing Rate) for each of 20 out of 30 consecutive Trading Days, the last of which occurs immediately prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the Conversion Price then in effect; or (ii) at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid), provided that prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and canceled. Please see Condition 8(B).
Redemption at the Option of Bondholders	The Issuer will, at the option of the holder of any Bond, redeem all or some only of such holder's Bonds on April 22, 2028 (the "Put Option Date") at 100 per cent. of their principal amount, together with interest accrued but unpaid up to (but excluding) such date. To exercise such option, the holder must deposit during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays) at the specified office of any Paying Agent a duly completed and signed put notice in the form as specified in the Agency Agreement, together with the Certificate evidencing the Bonds to be redeemed not more than 60 days and not less than 30 days prior to the Put Option Date. Please see Condition 8(D).

Redemption for Relevant Event	If (a) the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 30 consecutive Trading Days, on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange); (b) there is a Change of Control (as defined in the Conditions); (c) less than 25 per cent. of the Issuer's total number of issued Shares are held by the public (as interpreted under LR8.24 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited); or (d) a VIE Triggering Event (as defined in the Conditions) occurs, (each, a "Relevant Event"), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Redemption Date (as defined in Condition 8(E)) at a redemption price equal to their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays), at his own expense, at the specified office of any Paying Agent, a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Certificate evidencing the Bond(s) to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 18.
Form and Denomination of Bonds	The Bonds will be issued in registered form in the specified denomination of HK$2,000,000 each and in integral multiples of HK$1,000,000 in excess thereof. Upon issue, the Bonds will be represented by the Global Certificate deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, the Clearing Systems. The Bonds will be traded and settled in Hong Kong Dollars only.
Clearance	The Bonds will be cleared through the Clearing Systems. The Clearing Systems each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.

Global Certificate	For as long as the Bonds are represented by the Global Certificate and the Global Certificate is held by a common depository, payments of principal and interest (if any) in respect of the Bonds represented by the Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.
Selling Restrictions	There are restrictions on the offer, sale and/or transfer of the Bonds. For a description of the selling restrictions, see "Subscription and Sale".
Listing	Application will be submitted to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only. The Issuer has submitted application for listing of the Shares issuable upon conversion of the Bonds on the Hong Kong Stock Exchange and has undertaken to apply to have the Shares, issuable upon conversion of the Bonds, approved for listing on the Hong Kong Stock Exchange and any Alternative Stock Exchange (as defined in Condition 6) on which its Shares are listed from time to time.
Trustee	China Construction Bank (Asia) Corporation Limited
Principal Agent	China Construction Bank (Asia) Corporation Limited
Registrar	China Construction Bank (Asia) Corporation Limited
Governing Law	The Bonds and any non-contractual obligations arising out of or in connection with the Bonds will be governed by, and construed in accordance with, English law.
Jurisdiction	The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds.
Use of Proceeds	We intend to use the net proceeds from this Offering, after deducting the underwriting discount and other estimated expenses payable by us, (a) approximately 90% for the growth and expansion of business, including but not limited to content production, purchase of drama script and copyright and purchase of copyright of films and TV programs; and (b) approximately 10% for general working capital purposes.

Lock-up	Neither the Issuer nor any of its Subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on behalf of any of them (other than the Joint Lead Managers, as to whom no undertaking is given) will, for a period from the date of the Subscription Agreement up to 60 days after the Issue Date (both dates inclusive), without the prior written consent of the Joint Lead Managers (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Shares or securities of the same class as the Bonds or the Shares or any securities otherwise convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing; except for (i) the Bonds and any new Shares issued pursuant to the conversion provisions of the Bonds; (ii) the issuance of any Shares under the Issuer's publicly disclosed share option schemes; and (iii) the allotment and issuance of any new Shares pursuant to the share subscription agreement dated January 27, 2025 entered into between the Issuer and TFI Investment Fund SPC in relation to the subscription of 490,506,329 subscription shares.

	In addition, Mr. Ke Liming has executed a lock-up undertaking dated April 14, 2025. Mr. Ke Liming has undertaken that none of himself, nor any other subsidiaries or affiliates over which he exercises management or voting control, nor any person acting on their behalf will, for a period from the date of the lock-up undertaking up to 90 calendar days after the Issue Date (both dates inclusive), without the prior written consent of the Joint Lead Managers (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Lock-up Shares or securities of the same class as the Bonds or the Lock-up Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Lock-up Shares or securities of the same class as the Bonds, the Lock-up Shares or other instruments representing interests in the Bonds, the Lock-up Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Lock-up Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Lock-up Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, except for the lending of up to 506,709,956 Shares indirectly owned by Mr. Ke Liming pursuant to the Securities Lending Agreements (as defined below). "Lock-up Shares" means the 2,627,381,250 Shares held by Mr. Ke Liming directly (or through nominees) or indirectly through trusts and/or companies controlled by him (or his nominees).
ISIN	XS3046827369.
Common Code	304682736.

Note:

1. In connection with the proposed issue of the Bonds, each of Merrill Lynch International and Goldman Sachs International (the"**Borrowers**") as borrowers has entered into a separate securities lending agreement with Pumpkin Films Limited as shareholder of the Issuer (the "**Lender**"), dated April 14, 2025 (each a "**Securities Lending Agreement**"), to allow the Lender to provide securities lending to the Borrower, for up to 506,709,956 Shares upon and subject to the terms and conditions stated in the Securities Lending Agreements.

2. Concurrent with the Offering, the Joint Lead Managers may facilitate sales of existing Shares notionally underlying the Bonds by buyers of the Bonds who wish to sell such Shares in short sales to purchasers procured by the Joint Lead Managers in order to hedge the market risk to which buyers of the Bonds are exposed with respect to the Bonds that they acquire in the Offering (the "**Concurrent Equity Offering**").

SUMMARY FINANCIAL INFORMATION

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table presents the Group's summary consolidated financial information. The summary consolidated financial information as of and for the years ended December 31, 2022, 2023 and 2024 (except for the US$ translated amounts as of and for the year ended December 31, 2024), have been extracted from the consolidated financial statements of the Group as of and for the years ended December 31, 2022, 2023 and 2024, as audited by PricewaterhouseCoopers, independent auditor.

The Group's financial information has been prepared and presented in accordance with HKFRS. The summary financial information below should be read in conjunction with the consolidated financial statements of the Group as of and for the years ended December 31, 2022, 2023 and 2024 and the notes thereto. The Group's financial results for any past period are not and should not be taken as an indication of the Group's performance, financial position and results of operations in future years.

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended December 31,			
	2022	2023	2024	
	RMB'000	RMB'000	RMB'000	US$'000[1] (Unaudited)
Revenue	1,319,928	3,627,247	3,670,760	512,676
Cost of Revenue	(1,058,313)	(2,466,264)	(1,760,345)	(245,858)
Gross profit	261,615	1,160,983	1,910,415	266,818
Selling and marketing costs	(60,713)	(31,282)	(161,738)	(22,589)
Administrative expenses	(251,924)	(284,588)	(328,608)	(45,895)
Net impairment losses on financial assets	(102,290)	(119,336)	(144,525)	(20,185)
Other income	6,034	16,960	11,693	1,633
Other (loss)/gain — net	1,031,025	239,184	(1,222,041)	(170,676)
Operating profit	883,747	981,921	65,196	9,106
Finance cost	(84,931)	(97,926)	(103,574)	(14,465)
Finance income	52,576	92,896	110,244	15,397
Finance income/(cost) — net	(32,355)	(5,030)	6,670	932
Share of losses of associates accounted for using the equity method	(1,551)	(974)	(215)	(30)
Profit before income tax	849,841	975,917	71,651	10,008
Income tax expenses	(62,289)	(293,377)	(278,227)	(38,859)
(Loss)/profit for the year, net of tax	787,552	682,540	(206,576)	(28,851)
Other comprehensive loss				
Items that may be reclassified to profit or loss:				
Changes at fair value through other comprehensive (loss)/income	(59)	25	(7)	(1)
Currency translation difference	(161,435)	(10,786)	48,056	6,711
Items that will not be reclassified to profit or loss				
Currency translation difference	(863)	(9,061)	(73,247)	(10,230)
Other comprehensive loss for the year, net of tax	(162,357)	(19,822)	(25,198)	(3,520)
Total comprehensive (loss)/income for the year	625,195	662,718	(231,774)	(32,371)
(Loss)/Profit attributable to:				
— Equity holders of the Company	789,525	689,758	(190,533)	(26,610)
— Non-controlling interests	(1,973)	(7,218)	(16,043)	(2,241)
	787,552	682,540	(206,576)	(28,851)
Total comprehensive (loss)/income attributable to:				
— Equity holders of the Company	627,168	669,936	(215,731)	(30,130)
— Non-controlling interests	(1,973)	(7,218)	(16,043)	(2,241)
	625,195	662,718	(231,774)	(32,371)

	For the year ended December 31,			
	2022	2023	2024	
	RMB'000	RMB'000	RMB'000	US$'000[1] (Unaudited)
(Loss)/earning per share for (loss)/profit attributable to the equity holders of the Company for the years: (expressed in RMB cents per share)				**(below expressed in USD cents per share)**
— Basic (loss)/earning per share	8.430	6.550	(1.570)	(0.22)
— Diluted (loss)/earning per share	7.629	5.968	(1.570)	(0.22)
ASSETS				
Non-current assets				
Property, plant and equipment	9,414	44,145	92,177	12,874
Right-of-use assets	63,281	89,394	63,613	8,884
Goodwill	4,214,619	4,214,619	4,443,665	620,624
Film and television programmes rights	2,443,848	1,470,456	1,939,333	270,857
Other intangible assets	682,324	679,849	715,570	99,940
Deferred tax assets	19,922	10,106	40,424	5,646
Investments accounted for using equity method	34,897	34,014	33,799	4,721
Financial assets at fair value through profit or loss	488,738	3,403,547	3,117,420	435,394
Financial assets at fair value through other comprehensive income	480	512	516	70
Prepayments and other non-financial assets	57,969	35,124	195,773	27,343
Deposits	2,528	5,533	6,106	853
	8,018,020	9,987,299	10,648,396	1,487,206
Current assets				
Film and television programmes rights	1,617,136	1,259,849	1,809,113	252,669
Inventories	986	2,900	2,874	402
Prepayments and other non-financial assets	246,059	278,116	276,891	38,672
Other receivables and deposits	1,112,395	2,055,172	1,611,573	225,080
Trade and bills receivables	936,344	2,417,087	2,956,914	412,977
Financial assets at fair value through profit or loss	98,309	110,833	871,310	121,691
Cash and cash equivalents	1,189,720	569,902	3,493,642	487,939
	5,200,949	6,693,859	11,022,317	1,539,430
Total assets	13,218,969	16,681,158	21,670,713	3,026,636

	For the year ended December 31,			
	2022	2023	2024	
	RMB'000	RMB'000	RMB'000	US$'000[(1)] (Unaudited)
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	193,805	222,761	273,444	38,191
Share premium	9,379,095	11,664,209	17,069,660	2,384,031
Other reserves	(54,811)	7,662	49,736	6,946
Accumulated losses	(1,546,850)	(857,092)	(1,047,625)	(146,316)
	7,971,239	11,037,540	16,345,215	2,282,852
Non-controlling interests	4,192	(1,556)	(12,608)	(1,761)
Total equity	7,975,431	11,035,984	16,332,607	2,281,091
LIABILITIES				
Non-current liabilities				
Borrowings	1,719,916	1,646,490	479,821	67,014
Lease liabilities	21,703	36,188	37,311	5,211
Deferred tax liabilities	451,501	510,886	459,022	64,109
Contingent consideration payable	610,809	—	—	—
Film and television programmes investment funds from investors	398,027	30,640	—	—
	3,201,956	2,224,204	976,154	136,334
Current liabilities				
Contract liabilities	6,324	8,820	18,232	2,546
Borrowings	50,000	108,908	1,221,043	170,537
Trade payables	560,463	357,418	835,888	116,744
Film and television programmes investment funds from investors	327,008	708,452	743,375	103,823
Other payables and accruals	314,559	479,475	832,924	116,330
Current income tax liabilities	198,979	412,616	682,124	95,269
Lease liabilities	14,487	22,448	28,366	3,962
Contingent consideration payable	569,762	1,322,833	—	—
	2,041,582	3,420,970	4,361,952	609,211
Total liabilities	5,243,538	5,645,174	5,338,106	745,545
Total equity and liabilities	13,218,969	16,681,158	21,670,713	3,026,636

Note:

(1) This amount has been translated into U.S. Dollars for convenience purpose at a rate of US$1.00 to RMB7.16.

RISK FACTORS

An investment in the Bonds involves risks. You should carefully consider all of the information in this Offering Circular, and in particular, the risks described below before deciding to invest in the Bonds. In making an investment decision, you must rely on your own examination of our businesses, financial condition and results of operations.

The risks and uncertainties described below may not be the only ones that we face and that could adversely affect the value of the Bonds or our Shares. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition, results of operations, future profitability and growth prospects. If any of the possible events described below occurs, our business, financial condition, results of operations, profitability and prospects could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and you could lose all or part of your investment.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties that you should consider together with the disclaimer regarding forward-looking statements at the beginning of this Offering Circular. See "Forward-looking Statements". Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We operate in a fast-evolving industry. We cannot guarantee that we will successfully implement our commercialization strategies or develop new ones, or generate sustainable revenues and profit.

We operate in a fast-evolving industry, and our commercialization model is evolving. We generate revenues primarily through content production, online streaming and advertising service and online gaming. We cannot assure you that we can successfully implement the existing commercialization strategies to sustainably generate growing revenues, or that we will be able to develop new commercialization strategies to grow our revenues. If our strategic initiatives do not enhance our ability to monetize or enable us to develop new commercialization approaches, we may not be able to maintain or increase our revenues or recover any associated costs. In addition, we may introduce new products and services to expand our revenue streams, including products and services with which we have little or no prior development or operating experience. If these new or enhanced products or services fail to engage customers or business partners, we may fail to diversify our revenue streams or generate sufficient revenues to justify our investments and costs, and our business and operating results may suffer as a result.

If the drama series, films and games we produce and/or distribute fail to satisfy the preferences of our customers, our business, results of operations and financial condition may be materially and adversely affected.

Audience preferences on drama series, films and games are subject to constant changes and different genres capture different audience demographics. The production and distribution of high-quality drama series, films and games require us to continuously identify the industry trends and preferences of our customers. Our growth depends, in part, on our ability to produce and/or distribute high-quality drama series, films and games which adapt to their ever-changing preferences.

While we have strived to satisfy our customers, there is no assurance that we will be able to continue to accurately define the target audiences, promptly respond to the changes in their viewing preferences or efficiently adapt to the market trends and industry development. The drama series, films and games we produce and/or distribute may not be receptive to the audiences as other drama series,

films and games released or distributed by our competitors. Any change in our target audiences' preferences could materially and adversely affect our market share and financial performance if we cannot timely and proactively react and adapt to such change.

In addition, any market perception that the competing drama series, films and games are of higher quality than or of similar themes or genres as the drama series, films and games we produce and/or distribute may reduce the popularity of our drama series, films and games. Any of the aforementioned circumstances may have a negative impact on our customers' interest in them, which may materially and adversely affect our business, results of operations and financial condition.

There are uncertainties regarding the production and distribution of drama series and films, including but not limited to failure to keep within budget and to launch on schedule.

Unforeseen circumstances during production, such as accidents, equipment damage or malfunction, damage to cassettes (or digital files thereof), unavailability of filming locations, delays in obtaining requisite permits or licenses, natural disasters, epidemics, or the unavailability of producers, directors, or artists due to injuries, health issues, other engagements, or negative publicity resulting from personal behavior, may disrupt the production progress of new drama series and films. Additionally, the distribution of our drama series and films may be delayed due to changes in the production schedule or failure to obtain the relevant distribution licenses, leading to a delay in their initial broadcasting. Any delay or adjustment in the production or distribution schedule may increase production or distribution costs.

Additionally, any delay in the production or distribution schedule may result in a breach of agreements with our customers, potentially leading them to terminate the agreements or seek compensation. Such outcomes could significantly and negatively impact our business, financial condition, and operational results. If the production costs for a drama series or film considerably exceed the budget, we and other co-investors might need to provide additional financial resources, which could substantially reduce the program's profitability. Failure to secure these additional resources may cause significant delays in production progress. Furthermore, when providing production services, we may be responsible for covering overrun costs unless stated otherwise in the agreements. Even if our new drama series and films are produced and distributed as planned, there is no guarantee that they will generate profits. Any of these situations could materially and adversely affect our business, financial condition, and operational results.

Information on our pipeline projects may not prove to be accurate or indicative of our future results of operations.

For all the drama series and films that were to be released or under filming or post-production, we have applied for the Application for Public Record (備案公示申請) and registered with the NRTA. However, the actual outcome of our pipeline projects may differ from what was planned due to various factors. For example,

- we may encounter challenges in pre-selling or finalizing definitive agreements to distribute projects that have completed production;
- our signed definitive distribution agreements may not be fully performed in accordance with their terms and could be subject to amendments, modifications, alterations, termination, or cancellation;
- the genre, content or length of the pipeline projects may be subject to change during the production, post-production and regulatory review stages;

- during the application process for registration/filing, completion of the registration/filing may be hindered by factors beyond our control, such as supplier scandals or adverse publicity;

- the expected broadcasting time may change due to delays in production, distribution, or adjustments in the broadcasting schedules of our customers; and

- the pipeline projects may not achieve success or popularity among audiences and distribution platforms.

As a result, investors are cautioned not to rely on our project pipeline information presented in this prospectus as an accurate indicator of our future earnings.

Our success is dependent on, among others, the popularity and audience acceptance of the film and television drama we produce and/or distribute, which is random and difficult to predict, and we may not be able to respond effectively to changes in market trends.

Our success is heavily reliant on the popularity and audience acceptance of the film and television drama we produce and distribute. This popularity is inherently unpredictable and can be influenced by a myriad of factors, including changing viewer preferences, competitive offerings and broader market trends. Despite our best efforts to create compelling content, there is always a risk that our productions may not resonate with audiences as expected. Additionally, the entertainment industry is characterized by rapid shifts in market trends, technological advancements and evolving consumer behaviors. These changes can be difficult to anticipate and respond to effectively. As a result, we may face challenges in adapting our strategies and operations to align with these dynamic market conditions. This unpredictability poses considerable risks to our business, as failure to accurately gauge audience preferences or respond to market trends could adversely impact our financial performance and overall success.

Any increase in production costs may materially and adversely affect our profitability and results of operations

Any increase in production costs may materially and adversely affect our profitability and results of operations. Our business involves significant expenditures in the production of film and television dramas, online streaming content, and online gaming. These costs include, but are not limited to, expenses related to talent acquisition, production equipment, special effects, post-production, and marketing. Factors such as inflation, increased competition for talent, and rising costs of technology and materials can lead to higher production costs. Additionally, any disruptions in the supply chain or changes in regulatory requirements could further escalate these expenses. If we are unable to manage these costs effectively or pass them on to our customers, our profitability and overall financial performance may be adversely impacted.

In circumstances where the production cost of a film and television drama significantly exceeds its budget, we and other co-investors may be required to contribute additional financial resources, which may result in significant decrease in the profitability of the program. Failure to obtain additional financial resources for a film and television drama may result in substantial delay in production progress. In addition, when we are providing production services, we may need to bear the overrun costs pursuant to the relevant agreements, unless otherwise provided in the relevant agreements.

If we fail to keep up with rapid changes in technologies and their impact on user behavior, we may not be able to attract sufficient user traffic to remain competitive, and our business and prospects may be materially and adversely affected.

Our ability to retain, grow and engage our user base depends heavily on our ability to provide a superior user experience. We must offer quality content covering a wide range of interests and formats, produce successful new dramas series, films and games and develop user-friendly platform features. In particular, we must produce more appealing content and we must source more popular licensed content. We must also keep providing our users with features and functions that could enable superior content viewing experience. For example, we use advance technologies, including AI to analyze and predict user preferences, formulate marketing strategies and to help create script and contents. If we are unable to provide a superior user experience, our user base and user engagement may decline, which may materially and adversely affect our business and growth prospects.

The industries in which we operate are characterized by rapidly changing technologies and changing user expectations. To remain competitive, we must adapt our products and services to evolving industry standards and improve the performance and reliability of our products and services to be able to adapt to these changes and innovate in response to evolving user expectations. Developing and integrating new content, products, services and technologies into our existing platform could be expensive and time-consuming, and these efforts may not yield the benefits we expect. If we fail to develop new products, services or innovative technologies on a timely basis, or our new products, services or technologies are not accepted by our users, our business, financial performance and prospects could be materially and adversely affected. We cannot assure you that we can anticipate user preferences and industry changes and respond to such changes in a timely and effective manner. In addition, changes in user behavior resulting from technological developments may also adversely affect us. For example, the number of people accessing the internet through mobile devices, including mobile phones, tablets and other hand-held devices, has increased in recent years, and we expect this trend to continue while 5G and more advanced mobile communications technologies are broadly implemented. If we fail to develop products and technologies that are compatible with all mobile devices, or if the products and services we develop are not widely accepted and used by users of various mobile devices, we may not be able to penetrate the mobile markets. In addition, the widespread adoption of new internet, networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or integrate our products, services or infrastructure. If we fail to keep up with rapid technological changes to remain competitive, our business, financial performance and prospects may be adversely affected.

We have limited track record for the current main business, i.e. content production, live streaming and gaming and may not sustain the level of growth in recent years.

We have limited track record of our current business. We commenced our content production and live streaming and advertising businesses in 2021 after the acquisition of the relevant business from independent third parties, and gaming business in 2022. We recorded a total revenue of RMB3,627.2 million and RMB3,670.8 million for the year ended December 31, 2023 and 2024, respectively. Our historical financial performance may not be indicative of our future performance. The limited track record and fluctuation in historical financials pose difficulty in evaluating our business and prospects and predicting future results of operations and financial condition. Our business mix has changed or has been changing and may be subject to further changes in the future, which may impact the overall growth, profitability and cash flow conversion.

As we plan to further expand our product offerings including new games and/or new contents, we cannot assure you that we will be able to grow our business as we expect. You should consider our prospects in light of the risks, competition and uncertainties of a fast-growing company in the content production, live streaming and gaming industries with a limited track record of profitability may encounter.

Failure to retain our business relationships with Tencent Holdings may affect our results of operations and financial performance.

Since 2021, we have maintained a close and cooperative relationship with Tencent Holdings, one of the integrated internet service providers in the PRC and one of our major shareholders. In April 2021, Pumpkin Films entered into an agreement with Tencent Holdings, allowing subscribers of Pumpkin Films to gain access to an extensive number of movies, television dramas and online dramas under the copyright of an integrated online video and streaming service platform operated by Tencent Technology (Beijing) Company Limited* (騰訊科技(北京)有限公司)'s affiliate. At the beginning of 2022, we entered into an agreement with Tencent Holdings on cooperation in the gaming sector. On February 22, 2023, we reached another agreement with Tencent Holdings to further expand the scope of game cooperation and enrich the cooperation model. We cannot assure that our relationship with Tencent Holdings will remain stable in the future, nor can we guarantee that we may be able to extend the cooperation with Tencent Holdings, enter into a new and effective arrangement with Tencent Holdings, or renegotiate any new arrangements with Tencent Holdings upon the expiry of the arrangements. Considering the substantial support that we received from Tencent Holdings, should there be any fallout, deterioration of, or failure to extend, our relationship with Tencent Holdings, or failure to extend any current or future arrangements with Tencent Holdings, we cannot assure you that we will be successful in procuring replacement from alternative sources to make up for the shortfall in a timely manner or on favorable terms. Though we plan to expand our business by deepening cooperation with independent third parties, we cannot assure you that we will be successful in doing so. Should any of these events occur, our business, financial condition and results of operations could be materially and adversely affected.

We cannot assure that Tencent Holdings will always be able to fulfill their contractual obligation under the terms of our cooperation with them. Furthermore, we cannot guarantee that the business operations under the agreements with Tencent Holdings will remain profitable in the future, nor can we assure that our financial position would not be materially and adversely affected by these agreements.

Moreover, we believe that we have benefited from Tencent Holdings being a substantial shareholder and our business relationship with Tencent Holdings in our capital market and other financing activities. If our business relationship with Tencent Holdings worsened, or if Tencent Holdings decreases its shareholding in our Company in any material manner, our ability to obtain capital markets and other financing may be adversely impacted, which in turn may adversely impact our results of operation.

Our business operations are subject to extensive government regulations and compliance requirements. Any promulgation of additional or more stringent laws or regulations on the production and distribution of drama series and films by the PRC government may result in an adverse effect on our business and results of operations.

Our business operations are subject to a variety of PRC laws, rules and regulations, which affect various aspects of our operations, including, among others, ownership structure, requisite licenses and permits, marketing strategy, media content, customer relationship and intellectual property.

If any of our licenses and permits are revoked due in part, to our serious violation of the applicable rules and regulations in respect to our business operations, or if we are unable to renew any of the required licenses and permits upon their expiration, or if there is any lack of requisite permits for any of our internet video and other content or any of our business, we may not be able to continue to produce and/or distribute the drama series, films and games. Our failure to comply with these laws and regulations could result in fines and/or proceedings against us by the regulatory authorities and/or affected parties, which, if material, could materially and adversely affect our business, prospects, financial condition and results of operations. Videos and other content displayed on our platform may be found objectionable by PRC regulatory authorities and may subject us to penalties and other administrative actions.

In addition, the promulgation of new laws, rules and regulations that restrict or otherwise unfavorably affect the ability or manner in which we operate would require us to adopt certain changes to ensure compliance, and could decrease the demand for our products and services, reduce our revenue, increase costs, limit profitability and/or subject us to additional liabilities. There is no assurance that the PRC government will not impose additional or more stringent laws or regulations on the production and distribution of drama series, films and games in the future. Any such additional or more stringent laws or regulations may result in an adverse effect on our business, prospects, financial condition and results of operations.

Our business, results of operations and financial condition depend on the market recognition and perception of our reputation.

The PRC drama series and film market has become increasingly competitive. In order to remain competitive, we need to maintain our reputation by continuously producing and/or distributing high-quality content that satisfy the ever-changing preferences of our customers. The quality and popularity of the content produced and/or distributed by us could be subject to a number of factors that are beyond our control. For instance, the levels of audiences' satisfaction with our drama series and films could be adversely affected if there exist any accident on filming sites, artist scandals, negative press, disruption to our production and/or distribution due to failure to obtain approval from the National Radio and Television Administration or other relevant government authorities. Any negative publicity concerning our Group, our directors or artists of the drama series and films we produced and/or licensed, even if untrue, could adversely affect our reputation and brand image, business and growth prospects, and take up substantial amount of time and resources from our management. If our reputation is damaged in any way, our customers' interest in the content we produced and/or distributed could diminish, which could adversely affect our business, results of operations and financial condition.

If we fail to source high-quality drama series, films and/or games from their copyright owners/licensors upon the terms acceptable to us or if there is any loss or deterioration of relationships with such copyright owners/licensors, our business, results of operations and financial condition may be materially and adversely affected.

We derive a large portion of our revenue from licensing of the broadcasting rights of drama series, films and games purchased from third-party copyright owners/licensors. As such, our ability to provide high-quality and popular drama series, films and games to our customers depends heavily on our ability to source them. We enter into content distribution agreements with the copyright owners/licensors of the drama series, films or games either by bundle or on a project-by-project basis. The licensing periods and the terms and conditions of such licenses vary. If the copyright owners/licensors of the drama series, films and games are no longer willing or able to license the relevant content to us based on the terms acceptable to us or due to deteriorating business relationships, our ability to offer high-quality content to our customers will be adversely affected and/or our cost could substantially increase.

In addition, the competition in the PRC drama series and films market and online gaming market continues to intensify as more players enter the market. Moreover, our competitors may devote greater resources than we do, including managerial and financial resources, and respond more quickly than we can to the changes in the customer preferences and market trends. In the event that we are not able to successfully compete against new or existing competitors to source high-quality content or at terms favorable to us, our business, results of operations and financial condition could be materially and adversely affected.

Certain of our business operations, such as production and distribution of film and drama series, are capital-intensive, and our capacity to generate cash or obtain financing on favorable terms may be insufficient to meet our anticipated cash requirements.

Certain of our business operations, such as our investment in the production and distribution of drama series and films, are capital-intensive. The production and distribution of film and drama series is a lengthy process, this involves significant upfront investments in various stages such as development, pre-production, production, post-production, distribution and marketing. The costs of production and distribution may increase in the future. Cash from internal resources, including our working capital, may not be adequate to fund all these demands and we may seek external funding. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and PRC governmental regulations concerning foreign investment and the content production and online streaming industry. We have significant working capital requirements. If we experience working capital deficits in the future, our business, liquidity, financial condition and results of operations may be materially and adversely affected. In addition, indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. Consequently, external financing may not be adequate for us to continue to make substantial investments or may be available only on terms that are disadvantageous to us, either of which may materially and adversely affect the growth of our business and results of operations.

We may not be able to identify and/or engage suitable co-investors for the drama series and films that we participate in and such co-investors may withdraw their investments in our drama series and films which may materially and adversely affect our results of operations and financial condition.

Some of the drama series and films we produce involve the participation of co-investors. Whether we can identify and/or engage suitable co-investors with sufficient resources to participate in the drama series and films in which we invest depends on various factors, such as the attractiveness of the investment, the estimated investment budget, the copyright licensing income, the market conditions and the overall economic and political environment. There is no assurance that we will be able to identify and/or engage suitable co-investors on commercially acceptable terms or at all in the future. If we are unable to identify suitable co-investors to invest in our drama series and films, we may be forced to curtail the number of our drama series and film projects undertaken, and our results of operations and financial condition may be materially and adversely affected.

In addition, co-investors may withdraw their investments in our self-produced drama series and films for reasons that are beyond our control. Under such circumstances, we may need to supplement the required capital with our own funds or find other suitable investors in a short period of time. If we are not able to make up the shortfall, the filming and production schedule of the drama series may be delayed, which will adversely impact our business, financial condition and results of operations.

We are exposed to fair value changes for financial assets at fair value through profit or loss.

During the financial years ended December 31, 2022, 2023 and 2024, we invested in various unlisted funds, unlisted companies, listed equity securities and film rights at fair value through profit or loss, because we believe we can make better use of such cash by making appropriate investments to enhance our income and future content output without interfering with our normal business operation or capital expenditures.

As of December 31, 2024, our financial assets at fair value through profit or loss amounted to approximately RMB3,988.7 million. We have incurred fair value losses for financial assets at fair value through profit or loss in the financial years ended December 31, 2022 and 2024. We cannot assure you that we will not continue to incur any such fair value losses in the future. If we continue to incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We have a large amount of receivables, and the failure to recover them in a timely manner or at all may negatively affect our cash conversion abilities and could have a material and adverse impact on our business, financial condition, liquidity and prospects.

As of December 31, 2024, our trade and bills receivables amounted to approximately RMB2,956.9 million whereas our other receivables and deposits amounted to approximately RMB1,611.6 million. Delays in settling receivables can increase our working capital needs and cash flow pressure. Our customers may face unexpected circumstances, including, but not limited to, financial difficulties caused by fiscal constraints or changes in fiscal policy of the government. Our customers may delay or even default in their payment obligation. If a customer defaults in making its payments on a project to which we have devoted significant resources, it could also affect our liquidity and decrease the capital resources that are otherwise available for other uses. We may file a claim for compensation of the loss that we incurred pursuant to our contracts but settlement of disputes generally takes significant time and financial and other resources, and the outcome is often uncertain. In general, we make provisions for receivables based primarily on special circumstances relating to specific projects. There can be no assurance that the receivables will be remitted by our customers to us on a timely basis or at all or that we will be able to efficiently manage bad debts.

We historically incurred net loss and may incur losses in the future.

For the financial year ended December 31, 2024, the Company has experienced net loss for the first time in the three latest financial years. The net loss was primarily attributable to a loss of approximately RMB1,121 million due to the change in the fair value of the warrants (the "**Warrants**") issued by the Company in early 2021 in connection with the acquisition of Virtual Cinema Entertainment Limited as a result of the full exercise of the Warrants during the financial year of 2024.

The change in the fair value of the Warrants represents an accounting related adjustment and is a non-operating item. Given that all of the Warrants were fully exercised within the financial year of 2024, they will no longer have any impact on the financial performance of the Group in the future. However, we cannot assure that we will not incur any net losses in the future. This could be due to ongoing financial pressures, unforeseen market changes, or strategic investments that do not yield the expected returns. While our management remains vigilant and proactive in managing the Company's finances to navigate these potential risks, we cannot assure you that the net loss will not continue.

We have granted, and may continue to grant, share incentives, which may result in increased share-based compensation expenses.

We adopted a share option scheme pursuant to a resolution passed by the shareholders on October, 31, 2013 ("**2013 Share Option Scheme**"), which was terminated in the annual general meeting of the Company held on June 28, 2023. A new share option scheme ("**2023 Share Option Scheme**") was adopted in the same annual general meeting, for the primary purpose of enabling the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group, and which will expire 10 years after the date of adoption (i.e. June 27, 2033).

No further options shall be granted under the 2013 Share Option Scheme upon termination but in all other respects, the provision of the 2013 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2013 Share Option Scheme and the options granted prior to the termination shall continue to be valid and exercisable in accordance with 2013 Share Option Scheme. On November 26, 2021, the Company granted 181,917,000 share options pursuant to the 2013 Share Option Scheme and no further share options were granted pursuant to the 2013 Share Option Scheme up to the termination of the 2013 Share Option Scheme. For the year ended December 31, 2024, a total of 689,000 share options granted under the 2013 Share Option Scheme have lapsed. As at December 31, 2024, a total of 181,228,000 share options granted under the 2013 Share Option Scheme have not been exercised.

In respect of the 2023 Share Option Scheme, the total number of options available for grant under the scheme mandate of the 2023 Share Option Scheme as at the date of this Offering Circular is 1,000,464,754. The Company has not granted any share option under the 2023 Share Option Scheme since the adoption of the 2023 Share Option Scheme and up to the date of this Offering Circular.

In 2022, 2023 and 2024, we incurred share-based payment expenses of RMB91.3 million, RMB82.3 million and RMB67.3 million, respectively. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel, and we will continue to grant share-based compensation to our employees. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Strategic investments or mergers and acquisitions may have a material and adverse effect on our business, financial condition and results of operations.

In alignment with our business growth strategy, we have invested in, and may consider future investments, mergers, or acquisitions of businesses that can enhance our production or distribution capabilities and strengthen our competitive position. The successful execution of this strategy is contingent upon identifying appropriate targets, negotiating commercially reasonable terms, securing the necessary financing, and obtaining requisite shareholder or government approvals. Our future investments or mergers and acquisitions may subject us to uncertainties and risks, including:

- high acquisition and financing costs;
- potential ongoing financial obligations and unforeseen or hidden liabilities;
- potential loss of key business relationships and the reputation of the targets;
- failure to achieve our intended objectives, benefits or revenue-enhancing opportunities;
- costs associated with, and difficulties in, integrating acquired businesses and assets into our own;

- potentially significant impairment charges of goodwill and intangible assets arising from acquisitions;

- amortization expenses of other intangible assets;

- potential claims or litigation regarding our Board's exercise of its duty of care and other duties required under applicable laws and regulations in connection with any of our significant acquisitions or investments approved by the Board; and

- diversion of our resources and management attention from our existing business.

In addition, the assets or businesses we invest in, merge with or acquire may not generate results as we expect. There is no assurance that we will be able to effectively integrate the acquired business with our existing business, which would divert management and other resources. Furthermore, the acquired business may not achieve our expectations due to circumstances beyond our control, such as loss of key personnel. Our inability to manage any of these uncertainties and risks could have a material adverse impact on our liquidity, financial condition, and operational results.

We face significant competition, primarily from companies that operate in online streaming and gaming industries in the PRC. Failure to maintain our competitive advantages or compete effectively may materially and adversely affect our results of operations and financial condition.

We face significant competition primarily from companies that operate in the video-based industry and gaming industry in the PRC. In particular, our competitors mainly include large online video streaming platforms, other platforms offering video products and other companies offering video-based content and gaming products. Some of our competitors have longer operating histories and significantly greater financial resources than we do, and in turn may be able to attract and retain more users and content partners. Our competitors may compete with us in a variety of ways, including by obtaining exclusive online distribution rights for popular content, conducting brand promotions and other marketing activities, and making acquisitions. If any of our competitors provides comparable or better user experience, our user traffic could decline significantly. We have exclusive distribution rights only for certain content on our platform.

We believe that our ability to compete effectively depends upon many factors, some of which are beyond our control, including:

- the popularity, usefulness, ease of use, performance and reliability of our platform, products and services compared to those of our competitors;

- the amount, quality and timeliness of content on our platform, especially the amount and quality of our self-produced drama series and films;

- our ability, and the ability of our competitors, to develop new products and services and enhancements to existing products and services to keep up with user preferences and demands;

- the inventory size, quality and size of player base of the games we operate;

- our ability to establish and maintain relationships with content providers and partners;

- our ability to commercialize our services;

- changes mandated by legislation, regulations or government policies, some of which may have a disproportionate effect on us;

- acquisitions or consolidation within our industry, which may result in more formidable competitors; and

- our reputation and brand strength relative to our competitors.

Our success depends, in a significant part, on the general prosperity and development of China's overall entertainment industry, and factors affecting the entertainment industry and the gaming industry, including but not limited to the development of the film and television drama series market as well as the development of online gaming market, could have a material and adverse effect on our business, financial condition and results of operations.

Our business is subject to the general prosperity and development of the overall entertainment industry and the gaming industry in the PRC, which may fluctuate significantly from time to time. While the market size of each of the entertainment industry and gaming industry, particularly that of the film and drama series market and online gaming market, in the PRC has grown continuously in recent years, such growth may not sustain in future periods, and is subject to various factors beyond our control, including the general economic conditions, people's leisure time, spending power and demand for entertainment services and gaming, and changes and uncertainties of relevant laws, rules and regulations, none of which can be predicted with certainty. Any fluctuation or downturn in the overall development of the entertainment industry gaming industry the PRC may reduce demand for our drama series and thus materially and adversely affect our business, financial condition and results of operations.

A downturn in the growth of Chinese or global economy could materially and adversely affect our business and financial condition.

A substantial majority of our revenue is generated from our operations in China. Consequently, our revenue and net income are substantially influenced by economic, political, and social conditions in China and worldwide, as well as by economic factors specific to online and mobile Internet usage. The economic conditions in China are sensitive to global economic trends. The global financial markets have experienced significant disruptions since 2008 and the United States, Europe and other economies have experienced periods of recession. The global macroeconomic environment is facing new challenges and there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. Recent international trade disputes, including tariff actions announced by the United States, the PRC and certain other countries, and the uncertainties created by such disputes may cause disruptions in the international flow of goods and services and may adversely affect the Chinese economy as well as global markets and economic conditions. There have also been concerns about the economic effect of the military conflicts and political turmoil or social instability in the Middle East, Europe, Africa and other places. The global economy, markets, and consumer spending levels are influenced by numerous factors beyond our control. These include consumer perceptions of current and future economic conditions, political uncertainty, levels of employment, inflation or deflation, real disposable income, interest rates, taxation, and currency exchange rates. Any significant or prolonged slowdown in the global economy may adversely impact the Chinese economy, which could, in turn, negatively affect our business and operating results.

The PRC government has taken steps to limit online game playing time for all minors and to otherwise control the content and operation of online games. Such restrictions on online games may materially and adversely impact our business and results of operations.

As part of its anti-addiction online game policy, the PRC regulators have been implementing regulations designed to reduce the amount of time that youth under the age of 18 spend playing online games. A revenue model that does not charge for playing time may be viewed by the PRC regulators as inconsistent with this goal. On the other hand, if we were to start charging for playing time, we may lose our players, and our financial condition and results of operations may be affected.

Furthermore, minors are prohibited from playing games exceeding a certain period of time per day or putting money into their accounts exceeding a certain amount. Online game operators are required to explore the manner to notify users of different ages about the online games based on various criteria, such as the games' content and the amount of money anticipated to be used in the games, on the game's download, registration and log-in pages in a prominent way.

Although we may implement several measures and develop a detailed plan for system upgrade and update various system according to the requirements under the relevant laws and regulations, we may be nevertheless considered non-compliant if the regulators take a different view, or if our system is not fully upgraded by the end of the grace period, the length of which also remains uncertain at the discretion of the relevant government authorities. Should the relevant government authorities find us not satisfying the requirements, they may order us to rectify. In a severe case, our business license could be revoked, which may materially and adversely affect our business operations and financial condition.

The implementation of these laws and regulations may lead to a decrease in the number of minors in our user base and the playtime of minor users, thereby leading to a decrease in the minor users' revenue contribution to our mobile game business, and may affect our results of operations and prospects.

Illegal game servers and acts of cheating by users of mobile games could harm our business and reputation and materially and adversely affect our results of operations.

While we already have in place numerous internal control measures to protect the source codes of our games from being stolen and to address illegal server usage and, to date, our games have not to our knowledge experienced such usage, our preventive measures may not be effective. The misappropriation of our game server installation software and installation of illegal game servers could harm our business and reputation and materially and adversely affect our results of operations.

In addition, acts of cheating by users of mobile games could lessen the popularity of our mobile games and adversely affect our reputation and our results of operations. Although we have taken a number of steps to deter our users from engaging in cheating when playing our mobile games, we cannot assure you that we or the third parties from whom we license some of our mobile games will be successful or timely in taking steps necessary to prevent users from circumventing the rules of our mobile games.

If we suspect a player of installing cheating programs on our mobile games, or of engaging in other types of unauthorized activities, we may freeze that player's game account or even ban the player from logging on to our games and other products. Such activities to regulate the behavior of our users are essential to maintain a fair playing environment for our users. However, if any of our regulatory activities are found to be wrongly implemented, our users may institute legal proceedings against us for damages or claims. Our operation, business and financial performance may be materially and adversely affected as a result.

We may be subject to intellectual property infringement claims or other allegations, which could result in material damage to our reputation and brand, payment of substantial damages, penalties and fines, removal of relevant content from our platform or seeking license arrangements which may not be available on commercially reasonable terms.

Content on our platform may expose us to allegations by third parties of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of third-party rights. These litigation that may be brought against us or our current or former directors and officers, could be time-consuming, result in significant expenses and divert our resources and the attention of our management and other key employees. An unfavorable outcome in any of these matters could exceed the limited coverage provided under our current applicable insurance policies.

As we face increasing competition and as litigation becomes a more common way to resolve disputes in the PRC, we face a higher risk of being the subject of intellectual property infringement claims. Although we have not been subject to claims or lawsuits outside China, we may become subject to copyright laws in other jurisdictions.

Furthermore, our app may be taken down temporarily from Apple app store or other apps markets for copyright reasons, and we may be subject to copyright infringement claims brought by our competitors, which, malicious or not, may be time-consuming to defend and disrupting to our operations.

We may not be able to prevent others from engaging in unauthorized use of our intellectual property, unfair competition, defamation or other violations of our rights, which could harm our business and competitive position.

We have invested significant resources to develop our own intellectual property and acquire licenses to use and distribute the intellectual property of others on our platform. Failure to maintain or protect these rights could harm our business. In addition, any unauthorized use of our intellectual property by third parties may adversely affect our current and future revenues and our reputation. Further, others may engage in conduct that constitutes unfair competition, defamation or other violations of our rights, which could harm our business, reputation and competitive position.

Protection of intellectual property rights in the countries and regions where we operate may not be sufficient. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive. We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe upon our intellectual property rights. Other unlawful conduct against us is also difficult to prevent and police. We cannot assure you that the steps we have taken will prevent misappropriation of our rights. From time to time, we may have to resort to litigation to enforce our rights, which could result in substantial costs and diversion of our resources.

The increasing prevalence of short-form videos and the potential changes in consumer preferences may materially affect our business operations and prospects in the future.

Short-form videos typically contain user-produced creative content. These videos, usually minutes or seconds in duration, are easily shared and accessed via the mobile Internet as they require less time commitment both in creation and viewing, as well as lower bandwidth and data usage compared to television or other online video formats. As of the date of this Offering Circular, we had only produced long-form video content. With the development of short-form video market in the PRC, there is no assurance that long-form video content, including drama series and films, will remain attractive to

viewers. If consumer preferences shift towards short-form videos, the number of viewers of drama series and films may decline and our business prospects and financial performance may be materially and adversely affected.

Some of our products and services contain open source software, which may pose particular risks to our proprietary software, products and services in a manner that negatively affects our business.

We use open source software in some of our products and services and will continue to use open source software in the future. There is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we may face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully.

Furthermore, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely. As a result, we may be unable to prevent our competitors or others from using such software source code contributed by us.

We may not be successful in developing relationships with key participants in the mobile industry or in developing services that operate effectively with these operating systems, networks, devices and standards.

We make our products and services available across a variety of operating systems, mainly on mobile devices and personal computers. As mobile usage accelerates, we expect to generate a large portion of our business and revenues from mobile devices. If we are unable to successfully capture and retain the growing number of users that access internet services through mobile devices, or if we are slower than our competitors in developing attractive products and services adaptable for mobile devices, we may fail to capture a significant share or an increasingly important portion of the market or may lose existing users. In addition, even if we are able to retain the increasing number of mobile users, we may not be able to continue to successfully commercialize mobile user traffic in the future.

We depend on the interoperability of our products and services with popular devices, desktop and mobile operating systems and web browsers that we do not control, such as Windows, Mac OS, Android, iOS, and others. Any changes in devices or their systems that degrade the functionality of our products and services or give preferential treatment to competitive products or services could adversely affect usage of our products and services. We may not be successful in developing relationships with key participants in the mobile industry or in developing services that operate effectively with these operating systems, networks, devices and standards. Further, if the number of systems, networks and devices for which we develop our products and services increases, it will result in an increase in our costs and expenses, and adversely affect our gross margin and results of operation.

Difficulties in identifying, executing, consummating and integrating acquisitions and strategic alliances and potential write-offs in connection with our investments or acquisitions may have a material and adverse effect on our business and results of operations.

We have invested in or acquired, and may continue to invest in and acquire, complementary assets, technologies and businesses in the future. From time to time, we may also make alternative investments and enter into strategic partnerships or alliances as we see fit. However, past and future acquisitions, partnerships or alliances may expose us to potential risks, including risks associated with:

- the integration of new operations and the retention of customers and personnel;
- significant volatility in our operating profit (loss) due to changes in the fair value of our contingent purchase consideration payable;
- unforeseen or hidden liabilities, including those associated with different business practices;
- the diversion of management's attention and resources from our existing business and technology by acquisition, transition and integration activities;
- failure to achieve synergies with our existing business and generate revenues as anticipated;
- failure of the newly acquired businesses, technologies, services and products to perform as anticipated;
- inability to generate sufficient revenues to offset additional costs and expenses;
- breach or termination of key agreements by the counterparties;
- the costs of acquisitions;
- international operations conducted by some of our subsidiaries;
- any different interpretations on contingent purchase consideration;
- the potential loss of, or harm to, relationships with both our employees and customers resulting from our integration of new businesses;
- non-compliance; or
- equity or earnings dilution.

Any of the potential risks listed above could have a material and adverse effect on our ability to manage our business and our results of operation. In addition, there can be no assurance the acquired businesses, technologies, services and products from our past acquisitions and any potential transaction will generate sufficient revenue to offset the associated costs or other potential unforeseen adverse effects on our business.

We may incur impairment charges for our intangible assets and goodwill as well as our financial assets.

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of our acquisitions of interests in our subsidiaries and consolidated Variable Interest Entities (the "**VIEs**"). As of December 31, 2024, we had goodwill of RMB4,444 million, of which RMB4,215 million was derived

from the acquisition of Virtual Cinema Entertainment Limited in January 2021 and the remaining was derived from the acquisition of Beijing C4-Games Technology Co., Ltd.* (北京有愛互娛科技有限公司) in 2024. We are required to test our goodwill for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. We may record impairment of goodwill acquired in connection with our acquisitions if the carrying value of our goodwill acquired in connection with our past or future acquisitions are determined to be impaired.

Our intangible assets consist primarily of licensed copyrights of content, license rights of mobile games, and intellectual property and others. Purchased intangible assets are initially recognized and measured at fair value. Intangible assets acquired through business acquisitions are recognized as assets separate from goodwill if they satisfy either the "contractual-legal" or "separability" criterion. Intangible assets are subsequently measured at cost less accumulated amortization and impairment. Intangible assets should be tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. During the financial year ended December 31, 2022, impairment of film and television programmes rights amounting to approximately RMB295,838,000 was recognised in cost of revenue. No impairment of film and television programmes rights was recognised during the financial years ended December 31, 2023 and 2024. In addition, the Company recorded impairment losses on financial assets for the financial years ended December 31, 2022, 2023 and 2024. We cannot guarantee that we will not record greater impairment losses of financial assets and intangible assets including film and television programmes rights in the future. Material impairment of financial assets and intangible assets could negatively affect our financial condition and results of operations.

Any malfunction, capacity constraint or operation interruption for any extended period may have an adverse impact on our business.

Our ability to provide superior user experience on our platform depends on the continuous and reliable operation of our IT systems. We cannot assure you that we will be able to procure sufficient bandwidth in a timely manner or on acceptable terms or at all. Failure to do so may significantly impair user experience on our platform and decrease the overall effectiveness of our platform to users. Our IT systems and proprietary content distribution network are vulnerable to damage or interruption as a result of fires, floods, earthquakes, power losses, telecommunications failures, undetected errors in software, computer viruses, hacking and other attempts to harm our IT systems. Disruptions, failures, unscheduled service interruptions or a decrease in connection speeds could damage our reputation and cause our users to migrate to our competitors' platforms. If we experience frequent or persistent service disruptions, whether caused by failures of our own IT systems or those of third-party service providers, our user experience may be negatively affected, which in turn may have a material and adverse effect on our reputation and business. We cannot assure you that we will be successful in minimizing the frequency or duration of service interruptions. As the number of our users increases on our platform, we may be required to expand and adapt our technology and infrastructure to reliably store and process content. It may become increasingly difficult to maintain and improve the performance of our platform, especially during peak usage times, as our services become more complex and our user traffic increases.

Any compromise of the cybersecurity of our platform could materially and adversely affect our business, operations and reputation.

Our products and services involve the storage and transmission of users' information, and security breaches expose us to a risk of loss of this information, litigation and potential liability. We experience cyber-attacks of varying degrees from time to time, and we have been able to rectify attacks without significant impact to our operations in the past. Our security measures may also be breached due to employee error, malfeasance or otherwise. Additionally, outside parties may attempt to fraudulently induce employees, users or other customers to disclose sensitive information in order to gain access to our data or our users' data or accounts, or may otherwise obtain access to such data or accounts.

Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose users, and may be exposed to significant legal and financial risks, including legal claims and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business, reputation and results of operations.

Undetected programming errors or flaws or failure to maintain effective customer service could harm our reputation or decrease market acceptance of our products and services, which would materially and adversely affect our results of operations.

The video programs on our platform may contain programming errors that may only become apparent after their release. We may be able to resolve such flaws and errors. However, we cannot assure you that we will be able to detect and resolve all these programming errors effectively. Undetected programming errors could adversely affect our user experience and market acceptance.

Our software has contained, and may now or in the future contain, errors, bugs or vulnerabilities. Any errors, bugs or vulnerabilities discovered in our code after release could result in damage to our reputation, loss of users, loss of content providers, loss of revenue or liability for damages, any of which could adversely affect our business and operating results.

Our services involve collecting, procession, and storage significant amounts of data concerning our users, business partners and employees and may be subject to complex and evolving laws and regulations regarding privacy and data protection. If we fail to comply with privacy and data protection laws and regulations, our business, results of operations and financial condition may be adversely affected.

We are subject to a variety of laws and other obligations relating to the security and privacy of data, including restrictions on the collection, use and storage of personal information and requirements to take steps to prevent personal data from being divulged, stolen, or tampered with. In light of the constantly evolving and potentially more stringent regulatory requirements of cybersecurity and data privacy and the possible variation of regulations and interpretations, it remains unclear how and to what extent such regulatory requirements will apply to us. For example, on June 10, 2021, Standing Committee of National People's Congress (the "**SCNPC**") promulgated the Data Security Law of People's Republic of China (《中華人民共和國數據安全法》) (the "**Data Security Law**"), effective from September 1, 2021. The Data Security Law provides that data processing activities that may affect national security shall be subject to a data security review procedure. Any organizational or individual data processing activities that violate the Data Security Law shall bear the corresponding civil, administrative or criminal liabilities depending on specific circumstances. On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Combatting Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) (the "**July 6 Opinion**"), which called for the enhanced cross-border regulatory cooperation and administration and supervision of overseas-listed China-based companies, and the laws and regulations regarding data security, cross-border data flow and management of confidential information are expected to undergo further changes, which may require increased information security responsibilities and stronger cross-border information management mechanism and process. On August 20, 2021, the SCNPC promulgated the Law of Personal Information Protection of the PRC, or the Personal Information Protection Law (《中華人民共和國個人信息保護法》), which became effective on November 1, 2021, setting forth detailed rules for handling sensitive personal information. On July 7, 2022, the CAC has promulgated the Measures for the Security Assessment of Cross-border Data Transfer (the "**Measures**") (《數據出境安全評估辦法》), which became effective on September 1, 2022, and requires that any data processor who provides to an overseas recipient important

data collected and generated during operations within the territory of the PRC or personal information that should be subject to security assessment shall conduct security assessment. Furthermore, on September 24, 2024, the Cyberspace Administration of China (the "**CAC**") promulgated the Cyber Data Security Regulations (the "**Data Security Regulations**") (《網絡數據安全管理條例》), which came into effect on January 1, 2025. Data Security Regulations require data processors to comply with certain requirements during their daily operation. For details of the regulatory requirements regarding internet information security and privacy protection that may apply to us, see "*Regulation — Regulations Related to Internet Information Security and Privacy Protection*" of this Offering Circular.

Any failure, or perceived failure, by us, or by our third-party business partners, to maintain the security of our user data or to comply with applicable privacy or data security laws, regulations, policies, contractual provisions, industry standards, and other requirements, may result in civil or regulatory liability, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way, litigation, or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims. Moreover, claims or allegations that we have failed to adequately protect our users' data, or otherwise violated applicable privacy and data security laws, regulations, policies, contractual provisions, industry standards, or other requirements, may result in damage to our reputation and a loss of confidence in us by our users or our business partners, potentially causing us to lose users, content partners and other business partners, which could have a material and adverse effect on our business, financial condition and results of operations.

We utilize payment collection channels to collect proceeds from our paying users' purchases. Any failure by those payment collection channels to process payments effectively and securely may materially and adversely affect our revenue realization and brand recognition.

We depend on the billing and payment systems of third parties such as online third-party payment processors to maintain accurate records of payments of sales proceeds by paying users and collect such payments. We receive periodic statements from these third parties which indicate the aggregate amount of fees that were charged to paying users of our products and services. Our business and results of operations could be adversely affected if these third parties fail to accurately account for or calculate the revenues generated from the sales of our products and services. If there are security breaches or failure or errors in the payment process of these third parties, user experience may be affected and our business results may be negatively impacted.

Failure to timely collect our receivables from third parties whose billing and payment systems we use and third-party payment processors may adversely affect our cash flows. Our third-party payment processors may from time to time experience cash flow difficulties. Consequently, they may delay their payments to us or fail to pay us at all. Any delay in payment or inability of current or potential third-party payment processors to pay us may significantly harm our cash flow and results of operations.

We also do not have control over the security measures of our third-party payment service providers, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of all of the online payment systems that we use. If a well-publicized internet security breach were to occur, users concerned about the security of their online payments may become reluctant to purchase our products through payment service providers even if the publicized breach did not involve payment systems or methods used by us. In addition, billing software errors could damage user confidence in these payment systems. If any of the above were to occur and damage our reputation or the perceived security of the payment systems we use, we may lose paying users as they may be discouraged from purchasing products or services on our platform, which may have an adverse effect on our business and results of operations.

The continuous and collaborative efforts of our senior management and key employees are crucial to our success. If we fail to hire, retain and motivate our key employees, our business may suffer.

We depend on the continued contributions of our senior management and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers or other key employees could harm our business. Competition for qualified talent in China is intense, particularly in the internet and technology industries. If we lose the services of one or more of our key personnel, we may not be able to find suitable or qualified replacements easily or at all and may incur additional expenses to recruit and train new personnel. Our future success depends on our ability to attract a large number of qualified employees and retain existing key employees. If we are unable to do so, our business and growth may be materially and adversely affected. Our need to significantly increase the number of our qualified employees and retain key employees may cause us to materially increase compensation-related costs, including stock-based compensation.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with capital raising activities.

PRC laws and regulations in relation to overseas issuance and listing of securities have been evolving. On February 17, 2023, the CSRC promulgated The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**"), which became effective on March 31, 2023. On February 24, 2023, the CSRC and other relevant government authorities issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which became effective on March 31, 2023. The issuance of the Bonds is subject to these regulations.

We cannot assure you that we could meet such requirements, complete such filing in a timely manner. Any failure or perceived failure to make filing, report or comply with the applicable laws and regulations would have a material adverse effect on our capital raising activities and result in negative publicity and legal proceedings or regulatory actions against us. Further, as the Trial Measures was recently promulgated, there remains substantial uncertainties as to its interpretation and implementation and how it may impact our ability to raise or utilize fund for business operation.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our self-produced drama series and films and treat them as trade secrets. In order to protect the content of our self-produced drama series and films, we rely significantly on confidentiality provisions in the agreements with our employees and third parties. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, frustrating our ability to assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection may materially and adversely affect our competitive position.

We do not have any business insurance coverage.

The insurance industry in China is still in an early stage of development, and insurance companies in China currently offer limited business-related insurance products. We do not maintain business interruption insurance or general third-party liability insurance. See "Business — Insurance". We consider this practice to be reasonable in light of the nature of our business and the insurance products

that are available in China and in line with the practices of other companies in the same industry of similar size in China. Any uninsured risks may result in substantial costs and the diversion of resources, which could adversely affect our results of operations and financial condition.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases may materially and adversely affect our business, results of operations and financial condition.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases may materially and adversely affect our business, results of operations and financial condition. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business. Moreover, China has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and, therefore, our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome, H1N1 influenza or other epidemics, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, results of operations and financial condition.

Legal disputes or proceedings may expose us to liabilities, divert our management's attention and adversely affect our reputation.

During the ordinary course of our business operations, we may be involved in legal disputes or proceedings relating to, among other things, contractual disputes and labor disputes. Such legal disputes or proceedings may subject us to substantial liabilities and may have a material and adverse effect on our reputation, business operations and financial condition.

If we become involved in material or protracted legal proceedings or other legal disputes in the future, we may need to incur substantial legal expenses and our management may need to devote significant time and attention to handle such proceedings and disputes, diverting their attention from our business operations. In addition, the outcome of such proceedings or disputes may be uncertain and could result in settlement or outcomes which may adversely affect our financial condition and results of operations.

Our filming crew, especially the artists engaged in our self-produced drama series and films, may suffer accidents or injuries, which could adversely affect our reputation and subject us to potential liabilities.

We could be held liable for the accidents, injuries or other harm the filming crew may suffer, including the artists engaged in our self-produced drama series and films, during their production. These accidents may include those caused by or otherwise arising in connection with our employees or facilities at the filming sites.

A liability claim against us or any of our employees could adversely affect our reputation. Even if unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of our management, all of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

We rely on the contribution of industry professionals participating in the development, production and promotion of our drama series. Our failure to retain the services of such professionals, unsatisfied services provided by them or even any negative news about them in the future may materially and adversely affect our business and results of operations.

We rely on the contribution of industry professionals participating in the development, production and promotion of our drama series, including screenwriters, producers, directors and actors, filming and production crew, and promotion agencies. There can be no assurance that they will continue to work with us on acceptable terms or at all, or that the costs associated with attracting alternative talents and/or third party service providers will be reasonable. The drama series industry in the PRC also lacks quality talents, for which drama series producers compete intensively. We cannot assure you that we will be able to acquire suitable quality talents for each of our drama series. If we fail to acquire and retain highly qualified industry professionals on favorable terms or if talents with whom we work lose their current popularity, our revenue and profitability could be adversely affected.

Any failure by our third party services providers to perform their obligations under the relevant agreements, comply with the applicable laws and regulations and industry standards, or satisfy our specific requirements and expectations may have an adverse and material impact on our business, financial condition and results of operations. In addition, any lawsuits, personal misbehaviors, rumors or negative news related to screenwriters, directors and major cast members of our drama series could negatively affect the distribution of corresponding drama series and may even result in termination of the licensing agreements, which will materially and adversely affect our business, financial condition and results of operations.

The changes in international political relationships, trade policies and trade barriers, or the escalation of trade tensions, may have an adverse effect on our business operations.

We may import IP rights of films, dramas or games from U.S. or other overseas countries, therefore we may be subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in foreign countries and regions. It is notable that the U.S. government has made significant changes in its trade policy in recent years and has taken certain actions that may materially impact international trade, such as announcing import tariffs which have led to some other countries to impose tariffs against the U.S. in response. Over the last few months the U.S. government announced and implemented new measures that significantly alter U.S. and international trade policies. These include increasing tariffs under Section 301 of the Trade Act of 1974 from 25% to 100% in 2024, which applies on top of the relevant MFN tariff rate. Upon his inauguration President Trump signed an executive order imposing a 20% tariff on all Chinese imports. Additionally, on April 2, 2025, President Trump signed an executive order imposing reciprocal tariffs of 34% for Chinese imports with a further increase of said reciprocal tariffs of 50% on April 8, 2025, which took effect on April 9, 2025, with a further addition of 21% introduced on that same day. In response, on April 10, 2025, the State Council Tariff Commission of the PRC announced that effective from April 12, 2025, 125% tariff would be imposed on all goods imported into the PRC originating from the US, which is a further increase from 84% previously announced on April 9, 2025. Other potential duties could be imposed depending on the facts; the situation continues to develop rapidly and things may change. Though such actions has yet impacted the entertainment and gaming industry, it is unknown whether and to what extent any new tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on us or the industry that we operate.

Furthermore, any escalation in existing trade tensions or the advent of a trade war, or news and rumors of the escalation of a potential trade war, could affect consumer confidence or interests in the films or dramas that we import from overseas, and have a material adverse effect on our business, results of operations. Rising political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between the relevant major economies, which would have a

material adverse effect on global economic conditions and the stability of global financial markets and in turn the market price of our Shares. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, such changes could have an adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO OUR CORPORATE STRUCTURE

If the PRC government finds that the agreements that establish the structure for operating certain of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership of certain businesses is prohibited or subject to restrictions under current PRC laws and regulations. Specifically, foreign investors are prohibited from holding equity interest in an entity conducting internet audio-visual programs, radio and television program production and operation, online publication and internet culture business and are restricted to conduct value-added telecommunications services (except for electronic commerce, domestic multi-party communication, store-and-forward and call center).

In particular, pursuant to the Administrative Provisions on Audio-visual Program Services via Internet amended by the National Radio and Television Administration on August 8, 2015, the License for Spreading Audio-Visual Programs via Information Network (信息網絡傳播視聽節目許可證) ("**AVSP License**") is required to provide various audio-visual programs via internet to users for enjoyment through online streaming platform, such as our Pumpkin Film streaming platform in accordance with the relevant provisions of the competent departments. Under the current PRC laws and regulations, only state-owned or state-controlled company, with the exception of a few Chinese non-state-related companies, such as Beijing Ruyi Jingxiu Network Technology Co., Ltd. ("**Jingxiu**", formerly known as Shenzhen Jingxiu Network Technology Co., Ltd.) is able to secure AVSP Licenses. In addition, pursuant to the Interim Administrative Provisions on Internet Culture promulgated by the Ministry of Culture and Tourism, the Internet Culture Operation License (網絡文化經營許可證) ("**ICO License**") is required for operating the online streaming platform as for-profit internet cultural management activities, such as our Pumpkin Film in accordance with the relevant provisions of the competent departments. Under the current PRC laws and regulations, only domestic PRC companies may apply for the ICO License. Jingxiu as a domestic company holds the ICO license.

Pursuant to the Telecommunications Regulations promulgated by the State Council, the Administrative Measures for the Licensing of Telecommunications Services promulgated by the Ministry of Industry and Information Technology ("**MIIT**") and the Classification Catalog of Telecommunications Services promulgated by the MIIT, the operation of the abovementioned online streaming platforms would constitute the internet information services that triggers the need to obtain the value-added telecommunications services operation license (增值電信業務經營許可證) ("**VATS License**"). Under the current PRC laws and regulations, foreign ownership in the internet information services providers may not exceed 50%. Jingxiu and Beijing Xiaoming Zhumeng Data Service Co., Ltd. ("**Beijing Xiaoming**") hold the VATS License for our online streaming business.

Pursuant to the Administrative Provisions on the Production and Distribution of Radio and Television Program promulgated by the National Radio and Television Administration on July 19, 2004, a Permit for Production and Distribution of Radio and Television Program (廣播電視節目製作經營許可證) is required for film and television series production business. Under the current PRC laws and regulations, foreign-invested enterprises, irrespective of the foreign ownership percentage, is completely prohibited from applying for these permits. Shanghai Ruyi Movie Television Production Co., Ltd. ("**Shanghai Ruyi**"), Beijing Xiaoming and Beijing Ruyi Film and Television Production Co., Ltd, as domestic company, each hold Permit for Production and Distribution of Radio and Television Program.

We are a Bermuda company with limited liability. Shanghai Muzhou Network Technology Co., Ltd. is our PRC subsidiary and wholly foreign-owned enterprise (the WFOE) under PRC laws. To comply with PRC laws and regulations, we conduct our business in China mainly through Beijing Ruyi Streaming Media Information Technology Co., Ltd. ("**Beijing Ruyi**"), Beijing Xiaoming and Shanghai Ruyi, our VIEs, and their respective subsidiaries, based on a series of contractual arrangements by and among our WFOE, our VIEs and their respective shareholders. As a result of these contractual arrangements, we exert control over our VIEs and consolidate their financial results in our financial statements under IFRS.

In the opinion of our PRC Legal Adviser, (i) the ownership structure of our WFOE and our VIEs in China does not result in any violation of PRC laws and regulations currently in effect; and (ii) the contractual arrangements among our WFOE, our VIEs and their respective shareholders is valid and binding on the parties of the contracts in accordance with its terms. However, we have been further advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Thus, the PRC government may ultimately take a view contrary to the opinion of our PRC Legal Adviser.

If the PRC government otherwise find that we are in violation of any existing or future PRC laws or regulations or if the contractual arrangements among our WFOE, our VIEs and their shareholders are determined as illegal or invalid by the PRC court, arbitral tribunal or regulatory authorities, or we lack the necessary permits or licenses to operate our business, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoking the business licenses and/or operating licenses of such entities;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- terminating or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect revenues; and
- shutting down our servers or blocking our mobile apps and websites.

Any of these events could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. If occurrences of any of these events results in our inability to direct the activities of our VIEs in China that most significantly impact their economic performance, and/or our failure to receive the economic benefits from our VIEs, we may not be able to consolidate the entities in our consolidated financial statements in accordance with IFRS.

We rely on contractual arrangements with our VIEs and their shareholders for our operations in China, which may not be as effective in providing operational control as direct ownership.

We have relied and expect to continue to rely on contractual arrangements with our VIEs and their respective shareholders to operate our business in China. These contractual arrangements may not be as effective as direct ownership in providing us with control over our VIEs. For example, our VIEs and their respective shareholders could breach their contractual arrangements with us by, among other things, failing to conduct their operations in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of our VIEs in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of our VIEs, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by our VIEs and their respective shareholders of their obligations under the contracts to exercise control over our VIEs. The shareholders of our VIEs may not act in the best interests of our company or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate certain portion of our business through the contractual arrangements with our VIEs. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. *See "— Any failure by our VIEs or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.*" Therefore, our contractual arrangements with our VIEs may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

We may lose the ability to use and enjoy assets held by our VIEs that are material to the operation of certain portion of our business if the entity goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with our VIEs, the entity holds certain assets that are material to the operation of certain portion of our business, including permits, domain names and most of our intellectual property rights. If any of our VIEs goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, the shareholders of our VIEs may not, in any manner, voluntarily liquidate our VIEs or sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. However, in the event that the shareholders breach this obligation and voluntarily liquidate our VIEs, or our VIEs declare bankruptcy, or all or part of their assets become subject to rights of third-party creditors, we may be unable to continue some or all of our operations, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, if our VIEs undergo a voluntary or involuntary liquidation proceeding, the independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Contractual arrangements we have entered into with our VIEs may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.

Pursuant to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by PRC tax authorities. We may be subject to adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our WFOE, our VIEs and their shareholders are not on an arm's-length basis and therefore constitute favorable transfer pricing. As a result, the PRC tax authorities could require that our VIEs adjust their taxable income upward for PRC tax purposes. Such an adjustment could increase our VIEs' tax expenses without reducing the tax expenses of our WFOE, subject our VIEs to late payment fees and other penalties for under-payment of taxes, and result in the loss of any preferential tax treatment our WFOE may have. As a result, our consolidated results of operations may be adversely affected.

If the chops of our PRC subsidiaries, our VIEs and their subsidiaries, are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.

In China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in China is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiaries, our VIEs and their subsidiaries are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safe, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so.

The shareholders of our VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

A significant portion of equity interests in our VIEs are held by our executive officers and shareholders or affiliates thereof. Conflicts of interest may arise between the roles of them as shareholders, directors or officers of our company and as shareholders of our VIEs. For individuals who are also our directors and officers, we rely on them to abide by the laws of Bermuda, which provide that directors and officers owe fiduciary duties to our company, including duties to act in good faith and in the best interest of our company and not to use their positions for personal gain. The shareholders of our VIEs have executed powers of attorney to appoint our WFOE or a person designated by our WFOEs to vote on their behalf and exercise voting rights as shareholders of our VIEs. We cannot assure you that when conflicts arise, these shareholders will act in the best interest of our company or that conflicts will be resolved in our favor. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time- consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

We may rely on dividends paid by our PRC subsidiaries to fund cash and financing requirements. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business and to pay dividends to holders of our Shares.

We are a holding company, and we may rely on dividends to be paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, wholly foreign-owned enterprises in the PRC, such as our WFOE, may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds until the aggregate amount of such a fund reaches 50% of its registered capital. These reserve funds are not distributable as cash dividends. Any limitation on the ability of our wholly-owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Substantial uncertainties exist with respect to how the Foreign Investment Law may impact the viability of our current corporate structure and operations.

The National People's Congress approved the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the "**2019 FIL**") on March 15, 2019, effective from January 1, 2020, and the State Council approved the Regulation on Implementing the PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》) (the "**Implementation Regulations**") on December 26, 2019, effective from January 1, 2020, which replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law (《外資企業法》), together with their implementation rules and ancillary regulations. The Supreme People's Court of China issued a judicial interpretation on the 2019 FIL in December 2019, effective from January 1, 2020, to ensure fair and efficient implementation of the 2019 FIL. The judicial interpretation clarifies the issues regarding the validity of the investment contract violating the restrictive or prohibitive requirements in the negative list. According to the judicial interpretation, courts in China shall not, among other things, support contracted parties to claim foreign investment contracts in sectors not on the Negative List as void because the contracts have not been approved or registered by administrative authorities. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it is difficult to predict the outcome of a judicial or administrative proceeding, and such unpredictability towards our contractual rights could adversely affect our business and impede our ability to continue our operations. The 2019 FIL and Implementation Regulations embody an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The 2019 FIL removes all references to the terms of "de facto control" or "contractual control" as defined in the draft published in 2015 by the MOFCOM. However, the 2019 FIL has a catch-all provision under the definition of "foreign investment" which includes investments made by foreign investors in China through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, the State Council may in the future promulgate laws and regulations that deem investments made by foreign investors through contractual arrangements as "foreign investment," and our contractual arrangements may be subject to and be deemed to violate the market entry requirements in China. The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China.

In addition, the 2019 FIL further specifies that foreign investments shall be conducted in line with the "negative list" to be issued or approved to be issued by the State Council. The commercial internet information service, internet audio-visual program services, online cultural activities, the radio and television program production and operation business, and the production of audio-visual products and/or electronic publications that we conduct through our consolidated affiliated entities are subject to foreign investment restrictions or prohibitions set forth in the Negative List. It is uncertain whether the industry of commercial internet information service, internet audio-visual program services, online culture activities, the radio and television program production and operation business, and the production of audio-visual products and/or electronic publications, in which our variable interest entities operate, will be subject to the foreign investment restrictions or prohibitions under the then updated "negative list" to be issued. If the then updated "negative list" requires companies with existing VIE structure like us to take further actions, we will face uncertainties as to whether any clearance from the relevant governmental authorities can be timely obtained, or at all.

Any failure by our VIEs or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.

If our VIEs or their shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the shareholders of any of our VIEs were to refuse to transfer their equity interests in our VIEs to us or our designee if we exercise the exclusive call option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our contractual arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. Uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a VIE should be interpreted or enforced under PRC laws. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC laws, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our VIEs, and our ability to conduct our business may be negatively affected.

The WFOE's ability to acquire the entire equity interests in the Variable Interest Entities may be subject to various limitations and substantial costs.

In case the WFOE exercises its options to acquire all or part of the equity interests of the Variable Interest Entities under the Call Option Agreements, the acquisition of the entire equity interests in the Variable Interest Entities may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals (as applicable), registrations and relevant procedures under applicable PRC laws. In addition, the abovementioned acquisition may be subject to a minimum price limitation (such as an appraised value for the entire equity interests in the Variable Interest Entities) or other limitations as imposed by applicable PRC laws. Further, a substantial amount of other costs (if any), expenses and time may be involved in transferring the ownership of the Variable Interest Entities, which may have a material adverse impact on the WFOE's businesses and results of operation.

RISKS RELATED TO REGULATORY UPDATE AND ECONOMIC POLICIES

There are uncertainties under the U.S. Outbound Investment Rule and other similar measures.

On October 28, 2024, the U.S. Department of the Treasury issued a final rule to prohibit U.S. investment in Chinese companies active in developing certain national security technologies, or the Outbound Investment Rule. The Outbound Investment Rule targets investments involving persons and entities associated with "countries of concern," a designation currently limited to China. In effect since January 2025, the Outbound Investment Rule imposes investment prohibitions and notification requirements on a range of investments in companies engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum technologies, and (iii) AI systems. Persons from countries of concern engaged in these activities are defined as "covered foreign persons." Investments by U.S. persons subject to the Outbound Investment Rule include the acquisition of equity or a

contingent equity interest, the provision of certain debt financing, the conversion of contingent equity interest into equity interest, involvement in a greenfield or brownfield investment, entrance into a joint venture, and the acquisition of a limited partner interest in non-U.S. pooled investment fund. Separately, the United States has also restricted U.S. persons from investing in publicly traded securities of Chinese Military-Industrial Complex companies identified by the Treasury Department. Importantly, the Outbound Investment Rule excludes some investments from the scope of covered transactions, including those in publicly traded securities listed on a national stock exchange. U.S. persons' acquisitions of publicly traded securities will therefore be exempted from the scope of covered transactions under the Outbound Investment Rule.

While we do not believe that we are a covered foreign person under the Outbound Investment Rule, it is possible that the regulations will change in the future, either by action of the U.S. President or through new legislation. The United States President Donald Trump has already directed the U.S. Department of the Treasury to consider changes to the Outbound Investment Rule. As a result, the scope of the regulations may be expanded to cover our activities. It is also possible that our activities may change in the future in a way that would bring future investments in our Company within scope of the Outbound Investment Rule. If we are deemed to be a covered foreign person, and therefore subject to the Outbound Investment Rule, our ability to raise capital or contingent equity capital from U.S. investors would be limited and could adversely affect our stock price, the liquidity of the Bonds and the secondary trading price of the Bonds. As a result, our financial condition, business, results of operations and prospects could also be adversely affected.

On February 21, 2025, the White House released the "America First Investment Policy" memorandum, or the Investment Policy, which outlined several initiatives to restrict investments involving China. While legislative and regulatory actions are required to effect these proposed changes, the Investment Policy may expand enforcement against inbound investment from China to the United States by potentially implementing broader, sector-based restriction on PRC investments in the U.S., expanding CFIUS' jurisdiction over greenfield investment by Chinese companies, and replacing open-ended mitigation agreements with mitigation agreements prescribing specific time frames and concrete actions. Additionally, the Investment Policy proposes to create restrictions on U.S. investments in China additional to those already imposed under the Outbound Investment Rule, by potentially expanding industry sectors covered in sectors by existing U.S. outbound investment regulations, supplementing outbound investment restrictions with sanctions, and directing a review to suspend or terminate the 1984 United States-The People's Republic of China Income Tax Convention. In addition, if we become a covered foreign person after the consummation of the offering of the Bonds due to changes in our business operations, amendments to relevant laws and regulations, or other factors (including in connection with the America First Memo), and no exceptions are available under the applicable laws and regulations, a U.S. person holding the Bonds who elects to exercise its Conversion Right may be subject to prohibitions or notification requirements under the Outbound Investment Rule at such times. As a result, such bondholder may be unable to exercise its Conversion Right in respect of its Bonds or may be required to make a notification to U.S. Treasury upon such conversion of the Bonds. The prohibitions or notification requirements could further affect the transferability of the Bonds. As the Investment Policy and its related legislative and regulatory proposals are still relatively new, it is unclear how these policies, and any future policies concerning investments between the U.S. and China, will be interpreted, amended and implemented by U.S. government authorities. These policies may restrict our ability to implement our investment strategy and could adversely affect our business and prospects.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes and court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

Any failure to complete the relevant filings under the NDRC Foreign Debt Measures within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Company and/or the investors of the Bonds.

On September 14, 2015, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) which came into effect on the same day (the "**NDRC Circular**"). On January 5, 2023, the NDRC published the Administrative Measures for the Review and Registration of Medium and Long-Term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法) (the "**NDRC Foreign Debt Measures**"), which came into effect on February 10, 2023 and repealed the NDRC Circular on the same date. The NDRC Foreign Debt Measures apply to medium and long-term foreign debts with a maturity of more than one year that are borrowed from overseas by enterprises within the territory of the PRC and by overseas enterprises or branches controlled by aforementioned PRC enterprises, denominated in local or foreign currency, and of which principal is repaid with payment of interest as agreed. Domestic enterprises and their overseas controlled entities shall obtain from the NDRC a pre-issuance registration certificate prior to issuing offshore debt securities.

The Company has registered the issuance of the Bonds with the NDRC and obtained an Enterprise Foreign Debt Review and Registration Certificate (《企業借用外債審核登記證明》) from NDRC on October 17, 2024 evidencing such registration (the "**NDRC Certificate**"). The Company undertakes to complete the NDRC Post-issue Filing within the prescribed time period after the Issue Date according to the NDRC Foreign Debt Measures and shall comply with regulations regarding risk management and interim and ex-post supervision of the NDRC Foreign Debt Measures and any other rules and regulations promulgated by the NDRC in relation with the supervision and management of foreign debt from time to time. For any enterprise failing to comply with filing and reporting requirements under the NDRC Foreign Debt Measures, the NDRC will order such enterprise to take rectification actions within a prescribed time limit; and if the circumstances are severe or the enterprise fails to take rectification action within the prescribed time limit, give a warning to the relevant enterprise and its principal liable person. Furthermore, conducts in violation of the NDRC Foreign Debt Measures committed by enterprises will be publicised on, among others, the Credit China (信用中國) website and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統). As new regulation, the NDRC Foreign Debt Measures will be subject to interpretation and application by the relevant PRC authorities, and it remains unclear what impact non-compliance will have on the Bonds. Potential investors in the Bonds are advised to exercise due caution when making their investment decisions.

We face uncertainties with respect to the interpretation and implementation of the Anti-Monopoly Guidelines for the Internet Platform Economy Sector.

In February 2021, the Anti-Monopoly Commission of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》) that aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as setting out merger controlling filing procedures involving variable interest entities. Due to the uncertainties associated with the evolving legislative activities and varied local implementation practices of anti-monopoly and competition laws and regulations in the PRC, it may be costly to adjust some of our business practice in order to comply with these laws, regulations, rules, guidelines and implementations, and any incompliance or associated inquiries, investigations and other governmental actions may divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, and/or materially and adversely affect our financial conditions, operations and business prospects.

Adverse changes in economic and political policies of the PRC government could have a material and adverse effect on overall economic growth in China, which could materially and adversely affect our business.

A substantial majority of our revenues is sourced from China. Accordingly, our results of operations, financial condition and prospects are influenced by economic, political and legal developments in China. Economic reforms begun in the late 1970s have resulted in significant economic growth. However, any economic reform policies or measures in China may from time to time be modified or revised. While the PRC economy has experienced significant growth in the past years, growth has been uneven across different regions and among different economic sectors.

The PRC government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Although the PRC economy has grown significantly in the past decade, that growth may not continue. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position.

Currently there are uncertainties associated with PRC laws and regulations on virtual asset property rights and therefore it is not clear what liabilities, if any, we may have for the loss of virtual assets by our users.

While playing mobile games or participating on platform activities, our users acquire and accumulate some virtual assets, such as special equipment and other accessories. Such virtual assets can be important to mobile game players. In practice, virtual assets can be lost for various reasons, often through unauthorized use of the game account of one user by other users and occasionally through data loss caused by a delay of network service, a network crash or hacking activities. On May 28, 2020, the PRC Civil Code (《中華人民共和國民法典》) was enacted, effective on January 1, 2021, pursuant to which, ownership of data and virtual assets are civil rights protected by laws. However, there are uncertainties associated with PRC laws or regulations on virtual asset property rights. As a result, there is uncertainty as to who the legal owner of virtual assets is, whether and how the ownership of virtual assets is protected by laws, and whether an operator of online games such as us would have any liability to game players or other interested parties (whether in contract, tort or otherwise) for loss of such virtual assets. Based on several PRC court judgments, courts generally required the online game operators to provide well-developed security systems to protect virtual assets owned by players and some courts required game operators to return the virtual items or found game operators liable for the loss and

damage incurred therefrom if the online game operators are found to be in default or violate players' rights. In case of a loss of virtual assets, we may be sued by our game players or users and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations.

Restrictions on virtual currency may adversely affect our mobile game revenues.

Our revenues from mobile games may be collected through the online sale of in-game items, which are considered to be the "virtual currency" as such term is defined in the Notice on Strengthening Administration of Virtual Currency of Online Games (《關於加強網絡遊戲虛擬貨幣管理工作的通知》), which was jointly issued by the Ministry Of Culture, or the MOC, and the Ministry of Commerce, or the MOFCOM in 2009. PRC laws and regulations, including this notice, have provided various restrictions on virtual currency and imposed various requirements and obligations on online game operators with respect to the virtual currency used in their games, including that (i) any entity engaged in the services relating to the issuance or trading of virtual currencies for online games shall comply with the conditions relevant to the establishment of an internet culture entity for business purpose and file an application with the provincial administrative department of culture at its locality for preliminary examination and then with the MOC for approval; (ii) the total amount of virtual currency issued by online game operators and the amount purchased by individual users in China is subject to limits, and online game operators are required to report the total amount of their issued virtual currency on a quarterly basis and are prohibited from issuing disproportionate amounts of virtual currency in order to generate revenues; (iii) virtual currency may only be provided to users in exchange for payment in legal currency and may only be used to pay for virtual goods and services of the issuer of the currency, and online game operators are required to keep transaction data records for no less than 180 days; (iv) online game operators are prohibited from providing lucky draws or lotteries that are conducted on the condition that participants contribute cash or virtual currency in exchange for game props or virtual currencies; (v) online game operators are prohibited from providing virtual currency trading services to minors; and (vi) companies involved with virtual currency in China must be either issuers or trading platforms, and may not operate simultaneously both as issuers and as trading platforms. We must tailor our business model carefully, including designing and operating our databases to maintain user information for the minimum required period, in order to comply with the current PRC laws and regulations, including the foregoing notices, in a manner that in many cases can be expected to result in an adverse impact on our online game revenues.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) (the "**EIT Law**") and its implementation rules, an enterprise established outside of the PRC with its "de facto management body" within the PRC is considered a "resident enterprise" and will be subject to PRC enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the State Administration of Taxation, or the SAT, issued a circular, known as SAT Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to

PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that our company is a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of our shares, if such income is treated as sourced from within the PRC. Furthermore, if PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid to our non-PRC individual shareholders and any gain realized on the transfer of our shares by such shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us), if such dividends or gains are deemed to be from PRC sources. These rates may be reduced by an applicable tax treaty, but it is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that our company is treated as a PRC resident enterprise. Any such PRC tax may reduce the returns on your investment.

There are significant uncertainties under the Enterprise Income Tax Law, or EIT Law, relating to the withholding tax liabilities of our PRC subsidiaries, and dividends payable by our PRC subsidiaries to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.

Under the EIT Law and its implementation rules, the profits of a foreign-invested enterprise generated through operations, which are distributed to its immediate holding company outside China, will be subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and China, such rate may be reduced to 5% if a Hong Kong resident enterprise owns more than 25% of the equity interest in the PRC company. Our current PRC subsidiaries are wholly owned by our Hong Kong subsidiaries. Accordingly, our Hong Kong subsidiaries may qualify for a 5% tax rate in respect of distributions from its PRC subsidiaries. Under the Notice of the State Taxation Administration on Issues regarding the Administration of the Dividend Provision in Tax Treaties (《國家税務總局關於執行税收協定股息條款有關問題的通知》) promulgated in 2009, the taxpayer needs to satisfy certain conditions to enjoy the benefits under a tax treaty. These conditions include, but are not limited to: (i) the taxpayer must be the beneficial owner of the relevant dividends, and (ii) the corporate shareholder to receive dividends from the PRC subsidiaries must have met the direct ownership thresholds during the 12 consecutive months preceding the receipt of the dividends. Further, the SAT promulgated the Announcement of the Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》) in 2018, which sets forth certain detailed factors in determining "beneficial owner" status, and specifically, if an applicant's business activities do not constitute substantive business activities, the applicant will not qualify as a "beneficial owner."

Entitlement to a lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is subject to the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties (《非居民納税人享受協定待遇管理辦法》) promulgated by the SAT on October 14, 2019 and became effective from January 1, 2020, which provides that non-resident enterprises are not required to obtain pre-approval from the

relevant tax authority in order to enjoy the reduced withholding tax. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, collect and retain relevant materials for reference in accordance with these treaties and accept supervision and management from the tax authorities. As a result, we cannot assure you that we will be entitled to any preferential withholding tax rate under tax treaties for dividends received from our PRC subsidiaries.

We face uncertainty with respect to the indirect transfer of equity interests in PRC resident enterprises by their non-PRC holding companies.

We face uncertainties regarding the reporting on and consequences of previous private equity financing transactions involving the transfer and exchange of shares in our company by non-resident investors. In February 2015, the SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》), or Bulletin 7. Pursuant to Bulletin 7, an "indirect transfer" of PRC assets, including a transfer of equity interests in an unlisted non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of the underlying PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10%, for the transfer of equity interests in a PRC resident enterprise. Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange. On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues of Tax Withholding regarding Non-resident Enterprise Income Tax (《國家税務總局關於非居民企業所得税源泉扣繳有關問題的公告》), or Bulletin 37, which came into effect on December 1, 2017. The Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax, and certain rules stipulated in Bulletin 7 are replaced by Bulletin 37.

There is uncertainty as to the application of Bulletin 37 or previous rules under Bulletin 7. We face uncertainties on the reporting and consequences of private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises. Our company may be subject to filing obligations or taxes if our company is the transferor in such transactions, and may be subject to withholding obligations if our company is the transferee in such transactions, under Bulletin 37 and Bulletin 7.

Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional costs.

Beijing Xiaoming obtained the "High Technology Enterprises" ("**HNTE**") certificate with a valid period of three years commencing from 2024. Therefore, Beijing Xiaoming is eligible to enjoy a preferential tax rate of 15% to the extent it has taxable income under the EIT Law, as long as it maintains the HNTE qualification and duly conducts relevant EIT filing procedures with the relevant tax authority. The high technology enterprise qualification is re-assessed by the relevant authorities every three years. Moreover, a qualified software enterprise is entitled to a tax holiday consisting of a two-year enterprise income tax exemption beginning with the first profit-making calendar year and a 50% tax reduction for the subsequent three years. If Beijing Xiaoming fails to maintain its qualifications under the relevant PRC laws and regulations, its applicable enterprise income tax rates may increase to up to 25% or it may not be able to claim tax deductible expense, any of which could cause our income tax expenses to increase and have a material adverse effect on our results of operations.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the anti-monopoly law enforcement agency be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-monopoly Law (《中華人民共和國反壟斷法》) requires that the anti-monopoly law enforcement agency shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In early February 2021, the Anti- monopoly Commission of the State Council published the Anti-monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》), or the Platform Economy Anti-monopoly Guidelines, that aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as setting out merger controlling filing procedures involving variable interest entities. In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), which officially established a security review system for mergers and acquisition of domestic enterprises by foreign investors. Further, the Implementation Provisions of Safety Review System for Foreign Investors' Merger and Acquisition of Domestic Enterprises (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM, that became effective in September 2011, specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (the "**Office of the Working Mechanism**") has been established under the NDRC, who leads the task together with the MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in, among other industries, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterpart or anti-monopoly law enforcement agency may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises national defense and security or national security concerns. However, MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.

The SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**") in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) released in February 2015 by SAFE, as amended in December 2019, or SAFE Circular 13, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 2015.

If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches or local banks, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have used our best efforts to notify PRC residents who directly or indirectly hold shares in our Bermuda holding company and who are known to us as being PRC residents to complete the foreign exchange registrations. However, we may not at all times be fully aware or informed of the identities of all our shareholders or beneficial owners that are required to make or update such registrations, and we cannot compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly listed companies due to their position as director, senior management or employees of the PRC subsidiaries of the overseas companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. Our directors, executive officers and other employees who are PRC residents and who have been granted options may follow SAFE Circular 37 to apply for the foreign exchange registration before our company becomes an overseas listed company. In 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理

有關問題的通知》). Under the notices and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Failure of our PRC stock option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business. The SAT has issued certain circulars concerning equity incentive awards. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax.

Each of our PRC subsidiaries has obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes for those employees. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of this offering to make loans to our PRC subsidiaries and our VIEs and their subsidiaries, or to make additional capital contributions to our PRC subsidiaries.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries, VIEs and their subsidiaries. We may make loans to our PRC subsidiaries, VIEs and their subsidiaries, or we may make additional capital contributions to our PRC subsidiaries, or we may establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, or we may acquire offshore entities with business operations in China in an offshore transaction.

Most of these ways are subject to PRC regulations and approvals. For example, loans by us to our wholly-owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. If we decide to finance our wholly-owned PRC subsidiaries by means of capital contributions, these capital contributions are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System and registration with other governmental authorities in China. Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to our consolidated affiliated entities, which are PRC domestic company. Further, we are not likely to finance the activities of our consolidated affiliated entities by means of capital contributions due to regulatory restrictions relating to foreign investment in PRC domestic enterprises engaged in internet information services, online games, online audio-visual program services and related businesses.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, effective June 2015 and amended in December 2019, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操

作問題的通知》). According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency- denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third-party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our equity offering and notes offering and then to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 23, 2019, SAFE issued Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or the Circular 28. Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with PRC laws. The interpretation and implementation of Circular 28 in practice are still subject to substantial uncertainties. According to the Circular on Optimizing the Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments using the income under their capital accounts generated from their capital, foreign debt and overseas listing, without providing materials evidencing the authenticity in advance, provided that the capital usage is authentic and compliant with the current capital account income usage management regulations. The concerned bank is required to conduct spot checks in accordance with the relevant requirements.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiary or with respect to future capital contributions by us to our PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received from our equity offering and notes offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Fluctuation in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The conversion of RMB into foreign currencies, including Hong Kong dollars and U.S. dollars, is based on rates set by the People's Bank of China. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollars, the U.S. dollar or other currencies in the future. The value of RMB against the Hong Kong dollars, U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by

China's foreign exchange policies, among other things. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollars and the U.S. dollar in the future.

Any significant appreciation or depreciation of RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares. For example, to the extent that we need to convert Hong Kong dollars and U.S. dollars we receive into RMB to pay our operating expenses, appreciation of RMB against the Hong Kong dollars and the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of RMB against the Hong Kong dollars and the U.S. dollar may significantly reduce the Hong Kong dollars or the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our Shares.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Bermuda holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval or registration to use cash generated from the operations of our PRC subsidiaries and VIEs to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

In light of the flood of capital outflows of China in 2016 due to the weakening RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement including overseas direct investment. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. If any of our shareholders regulated by such policies fails to satisfy the applicable overseas direct investment filing or approval requirement timely or at all, it may be subject to penalties from the relevant PRC authorities. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

RISKS RELATING TO THE BONDS AND THE SHARES

We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies.

The Bonds are denominated in Hong Kong dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and affiliated entities and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies. The International Monetary Fund announced on September 30, 2016 that, effective October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the Hong Kong dollar, our financial condition and results of operations could be adversely affected. Such a devaluation could also adversely affect the value, translated or converted to Hong Kong dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Bonds.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. In connection with our other liabilities denominated in currencies other than Renminbi, we may enter into foreign exchange or interest rate hedging agreements. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments.

We may be able to redeem the Bonds in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC "resident enterprise".

In the event we are treated as a PRC "resident enterprise" under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Bond of such amounts as would have been received by the holder had no such withholding been required. As described in Condition 8(C), in the event we are required to pay additional amounts as a result of certain changes in specified tax laws or any change in the general application or official interpretation of such laws and regulations, which change or amendment becomes effective on or after the Issue Date, such as a change that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise", we may, subject to Condition 8(C), redeem the Bonds in whole at their principal amount plus accrued and unpaid interest.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Bonds depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us. Our PRC subsidiaries receive substantially all of their revenues in Renminbi. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid). Pursuant to the EIT Law, which became effective in January 1, 2008, if we are deemed a "non-resident enterprise", dividends distributed to us by our PRC subsidiaries and interest payments made to us by our PRC subsidiaries (to the extent permitted by law) are subject to a 10% withholding tax. Prior to making such interest payments, the relevant PRC subsidiary must also present evidence of payment of 10% withholding tax. If any such PRC subsidiary

for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency, including the failure of SAFE to approve the registration of the relevant intercompany loans or to approve the payments under such loans, the PRC subsidiary will be unable to pay us dividends or interest and principal, when due, on the relevant intercompany loans, which may affect our ability to satisfy our obligations under the Bonds.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations, including under the Bonds, will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt alternative strategies. These may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

Holders of the Bonds are not entitled to rights with respect to the Shares, but are subject to changes made with respect to the Shares.

Holders of the Bonds are not entitled to any rights with respect to the Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Shares) prior to the time such Bondholders convert the Bonds for Shares and are themselves registered as holders thereof. However, such Bondholders are subject to all changes affecting the Shares. For example, in the event that an amendment is proposed to the Issuer's articles requiring shareholder approval, and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date of conversion of the Bonds for such Shares and (as applicable) the date of registration by the relevant Bondholder as the holder thereof, that Bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion.

Short selling of the Shares by purchasers of the Bonds could materially and adversely affect the market price of the Shares.

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Many investors in convertible bonds seek to hedge their exposure in the underlying equity securities, often through short selling the underlying equity securities or similar transactions, such as the Concurrent Equity Offering. Any short selling or similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares as well as on the trading price of the Bonds.

Future issuances of Shares or equity-related securities may depress the trading price of the Shares.

Any issuance of our equity securities after this Offering of the Bonds could dilute the interest of our existing shareholders and could substantially decrease the trading price of the Shares. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares, and impair our ability to raise capital through the sale of additional equity securities. There is no restriction on our ability to issue Shares or the ability of any of our shareholders to dispose of, encumber or pledge the Shares, and there can be no assurance that we will not issue Shares or that our shareholders will not dispose of, encumber or pledge the Shares. We cannot

predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Issuer and by hedging or engaging in arbitrage trading activity involving the Bonds.

Bondholders will bear the risk of fluctuations in the price of the Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the price of the Bonds. Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds.

Our results of operations, financial condition, future prospects and business strategy could also affect the value of the Shares.

The trading price of the Shares will be influenced by our operational results (which in turn are subject to the various risks to which our businesses and operations are subject) and by other factors such as changes in the regulatory environment that may affect the markets in which we operate and capital markets in general. Corporate events such as share sales, reorganizations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

Conversion of the Bonds may dilute the ownership interest of existing shareholders and could also adversely affect the market price of the Shares.

The conversion of some or all of the Bonds may dilute the ownership interests of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the conversion of the Bonds might encourage short selling of the Shares by market participants.

Holders have limited anti-dilution protection.

The Conversion Price (as defined in the Conditions) will be adjusted on the occurrence of certain events, including a subdivision, consolidation or reclassification of Shares, rights issue of Shares or options over Shares, capital distributions, capitalization of profits or reserves, Change of Control or other events as specified in Condition 6. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

The Bonds will have limited liquidity and the transfer of the Bonds will be restricted.

No public market exists for the Bonds. There is no current intention to list the Bonds other than on the Hong Kong Stock Exchange. If any of the Bonds are traded after the initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar Bonds and other factors, including general economic conditions and our financial condition, performance and prospects. No assurance can be given as to the future price level of the Bonds after their initial issue.

The Bonds or the Shares issuable upon conversion of the Bonds are not registered under the Securities Act or other securities laws. Unless and until the Bonds or the Shares are registered under the Securities Act, they may not be offered or sold except in transactions that are exempt from the registration requirements of the Securities Act and hedging transactions may not be conducted unless in compliance with the Securities Act. The Bonds and the Shares thereof will not be freely tradable absent registration or an exemption from registration.

The Bonds will contain provisions regarding modification, waivers and substitution, which could affect the rights of Bondholders.

The Trust Deed will contain provisions for convening meetings of Bondholders to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all holders of Bonds, including holders of Bonds who did not attend and vote at the relevant meeting and holders of Bonds who voted in a manner contrary to the majority. In addition, the Trust Deed will provide that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding or a resolution passed by way of electronic consents through the Clearing Systems (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding shall be valid and effective as a duly passed Extraordinary Resolution of the Bondholders. The Conditions will also provide that the Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (except for certain reserved matters as set out in Condition 14(A)) or in the Trust Deed) to, or the waiver or authorization of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders, and (ii) any modification to the Bonds, the Agency Agreement or the Trust Deed which, in the opinion of the Trustee, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, authorization or waiver shall be binding on the holders of Bonds.

The Issuer may not have the ability to redeem the Bonds.

Bondholders may require the Issuer, subject to certain conditions, to redeem for cash all or some of their Bonds (i) on the Put Option Date (as defined in Condition 8(D))) pursuant to Condition 8(D), or (ii) upon a transaction or event constituting a Relevant Event as described in Condition 8(E). The Issuer may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Issuer's ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Issuer would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness it holds.

The insolvency laws of Bermuda and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar.

Because the Issuer was incorporated under the laws of Bermuda, an insolvency proceeding relating to the Issuer, even if brought in other jurisdictions, would likely involve Bermuda insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. We conduct substantially all of our business operations through our PRC-incorporated subsidiaries and affiliated entities in the PRC. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Bonds are familiar. Investors should analyze the risks and uncertainties carefully before investing in the Bonds.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds and the merits and risks of investing in the Bonds and the information contained in this offering circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- understand thoroughly the terms of the Bonds; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or to institute any such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take any such steps and/or actions and/or institute any such proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to such actions' compliance with the applicable laws or regulations. In such circumstances, to the extent permitted by the Trust Deed, the Conditions, and other applicable agreements or by applicable laws and regulations, it will be for the Bondholders to take any such steps and/or actions and/or institute any such proceedings directly.

Lack of a public market for the Bonds.

The Bonds are a new issue of securities for which there is currently no established trading market when issued, and one may never develop. Application will be made for the listing of the Bonds on the Hong Kong Stock Exchange. However, there can be no assurance that we will be able to obtain or maintain such a listing or that, if listed, a trading market will develop for the Bonds on the Hong Kong Stock Exchange. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Bonds.

If an active trading market were to develop, the Bonds could trade at a price that may be lower than the initial offering price of the Bonds. Whether or not the Bonds will trade at lower prices depends on many factors, including:

- prevailing interest rates and the market for similar securities;
- general economic, market and political conditions;

- the financial condition, financial performance and future prospects of the Issuer;
- the publication of earnings estimates or other research reports and speculation in the press or investment community in relation to the Issuer; and
- changes in the industry and competition affecting the Group.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Changes in our revenues, earnings and cash flows and proposals of new investments, strategic alliances or acquisitions, interest rates, prices for comparable companies, government regulations applicable to our industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. We cannot assure you that these developments will not occur in the future.

Certain facts and statistics are derived from publications not independently verified by us, the Joint Lead Manager, the Trustee, the Agents or any of our or their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them.

Facts and statistics in this offering circular relating to China's economy and our industry are derived from various official or other publications available in China. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Joint Lead Manager, the Trustee, the Agents or any of our or their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them and, therefore, we and they make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There may be less publicly available information about us than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differ in certain respects from the generally accepted accounting principles in other jurisdictions which might be material to the financial information contained in this offering circular. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and generally accepted accounting principles in other jurisdictions.

We will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which may be different from those applicable to debt securities listed in certain other countries.

We will be subject to reporting obligations in respect of the Bonds to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

The Bonds will initially be held in book-entry form, and therefore, you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Bonds will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Bonds represented by global certificates will trade in book-entry form only, and the Bonds in definitive registered form, or definitive registered bonds, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Bonds. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Bonds. Payments of principal, interest and other amounts owing on or in respect of the Global Certificate representing the Bonds will be made to the Principal Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the Bonds and credited by such participants to indirect participants. After payment to the nominee of the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Bonds under the Trust Deed.

Unlike the holders of the Bonds themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Bonds. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default (as defined in Condition 10), unless and until definitive registered bonds are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Bonds.

USE OF PROCEEDS

The proceeds from the subscription of the Bonds, after deduction of commissions (and assuming the payment of a discretionary incentive fee) and other related expenses, are estimated to be approximately HK$2,304 million. Our intended use of the net proceeds is (a) approximately 90% for the growth and expansion of business, including but not limited to content production, purchase of drama script and copyright and purchase of copyright of films and TV programs; and (b) approximately 10% for general working capital purposes.

MARKET PRICE INFORMATION

The Shares are listed and traded on the Hong Kong Stock Exchange (Stock Code: 00136). The table below sets forth, for the periods indicated therein, the high and low closing prices per Share in Hong Kong Dollars, as reported on the HKSE.

	Price Per Share (HK$)	
	High	**Low**
Yearly		
2022	3.12	1.23
2023	2.63	1.67
2024	2.54	1.31
2025 (from January 1 to April 11)	2.38	2.10
Quarterly		
2022		
First Quarter 2022	3.06	1.87
Second Quarter 2022	3.12	1.77
Third Quarter 2022	2.80	1.68
Fourth Quarter 2022	1.95	1.23
2023		
First Quarter 2023	2.30	1.84
Second Quarter 2023	2.14	1.69
Third Quarter 2023	2.63	1.80
Fourth Quarter 2023	2.05	1.67
2024		
First Quarter 2024	2.11	1.31
Second Quarter 2024	2.19	1.67
Third Quarter 2024	2.40	1.95
Fourth Quarter 2024	2.54	1.88
2025		
First Quarter 2025	2.68	2.25

EXCHANGE RATE INFORMATION

CHINA

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the markets during the prior day. The PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange market. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to that of the U.S. dollar to allow the value of the Renminbi to fluctuate within a narrow and managed band based on market supply and demand and by reference to a basket of currencies. This change in policy has resulted in a significant appreciation of the Renminbi against the U.S. dollar.

The PRC government has since made further adjustments to the exchange rate system. The PBOC authorized the China Foreign Exchange Trading Centre, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 AM each business day. This rate is set as the central parity for the trading against the Renminbi in the interbank foreign exchange spot market and the over-the-counter exchange rate for that business day. On May 18, 2007, the PBOC enlarged, effective on May 21, 2007, the floating band for the trading prices in the interbank spot exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. On June 19, 2010, the PBOC announced that in view of the recent economic situation and financial market developments in China and abroad, and the balance of payments situation in China, it has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. According to the announcement, the exchange rate floating bands will remain the same as previously announced but the PBOC will place more emphasis on reflecting the market supply and demand with reference to a basket of currencies. In this regard, on April 16, 2012, the PBOC further enlarged the floating band for the trading prices in the interbank spot exchange market of Renminbi against the U.S. dollar to 1.0% around the central parity rate. On March 17, 2014, the PBOC, for the third time, enlarged the floating band for the trading prices in the inter-bank spot rate exchange market of Renminbi against the U.S. dollar to 2.0% around the central parity rate. On August 11, 2015, the PBOC announced an adjustment to the mechanism of determining the midpoint price of Renminbi to the U.S. dollar to make the exchange rate of Renminbi more market-based. The modified mechanism allows traders to consider the closing exchange rate in the previous trading day when they quote the mid-point price for Renminbi against the

U.S. dollar. On the same day, the central parity of Renminbi against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future. The PRC government may in the future make further adjustments to the exchange rate system.

Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign currency for capital items, such as foreign direct investment, loans or security, requires the approval of SAFE and other relevant authorities.

The following table sets forth the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Board for and as at the period ends indicated. Such rates are provided solely for the convenience of the reader and are not necessarily the exchange rates (if any) included elsewhere in this Offering Circular.

	Renminbi per U.S. Dollar Noon Buying Rate			
	Period end	Average[(1)]	High	Low
	(RMB per US$1.00)			
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1348	6.5250
2021	6.3726	6.4508	6.5716	6.3435
2022	6.8972	6.7290	7.3048	6.3084
2023	7.0999	7.0896	7.3430	6.7010
2024	7.2993	7.1933	7.2993	7.0106
2025				
January	7.2422	7.2957	7.3326	7.2422
February	7.2828	7.2734	7.3088	7.2422
March	7.2628	7.2489	7.2843	7.2273
April (from April 1 to April 4)	7.2803	7.2747	7.2813	7.2675

Note:

(1) Annual averages are calculated by using the average of the exchange rates on the last day of each month during the relevant year.

HONG KONG

The Hong Kong dollar is freely convertible into U.S. dollars. Since 1983, the Hong Kong dollar has been linked to the U.S. dollar. Under existing Hong Kong law, (i) there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of dividend payments to U.S. residents and (ii) there are no limitations on the rights of non-residents or foreign owners to hold the Bonds. The Basic Law of the Hong Kong Special Administrative Region of the PRC, which came into effect on July 1, 1997, provides that no foreign exchange control policies may be applied in Hong Kong.

Although the market exchange rate of the Hong Kong dollar against the U.S. dollar was and continues to be determined by forces of supply and demand in the foreign exchange market, between 1983 and May 2005 Hong Kong maintained a fixed rate system which fixed the rate of exchange to HK$7.80 per U.S. dollar (the "**Linked Exchange Rate System**"). However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year trading band from the original rate of HK$7.80 per U.S. dollar to a new range varying between HK$7.75 per U.S. dollar and HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the Linked Exchange Rate System. The Hong Kong government has also stated that it has no intention of imposing exchange controls and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the trading band at HK$7.75 to HK$7.85 per U.S. dollar or at all. As a result of the Linked Exchange Rate System, exchange rates between the Hong Kong dollar and other currencies are influenced by the value of the U.S. dollar.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Hong Kong dollars and U.S. dollars. The exchange rates reflect the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board. Such rates are provided solely for the convenience of the reader and are not necessarily the exchange rates (if any) included elsewhere in this Offering Circular.

	Hong Kong dollars per U.S. Dollar Noon Buying Rate			
	Period end	Average[(1)]	High	Low
	(RMB per US$1.00)			
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7927	7.7500
2021	7.7996	7.7727	7.8034	7.7515
2022	7.8015	7.8306	7.8499	7.8015
2023	7.8109	7.8309	7.8499	7.7920
2024	7.7677	7.8018	7.8368	7.7617
2025				
January	7.7917	7.7852	7.7917	7.7749
February	7.7775	7.7819	7.7928	7.7692
March	7.7784	7.7724	7.7784	7.7677
April (from April 1 to April 4)	7.7734	7.7781	7.7820	7.7734

Note:

(1) Annual averages are calculated by using the average of the exchange rates on the last day of each month during the relevant year.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth on an actual basis our consolidated cash and cash equivalents, current borrowings and total capitalization as of December 31, 2024, and as adjusted to give effect to the issuance of the Bonds now being issued before deducting the underwriting commission and other estimated expenses of this offering. The following table should be read in conjunction with the summary consolidated financial information, the audited consolidated financial statements and related notes included elsewhere in this offering circular.

	As of December 31, 2024			
	Actual		As Adjusted	
	RMB'000	US$'000[1] (Unaudited)	RMB'000 (Unaudited)	US$'000[1] (Unaudited)
Cash and cash equivalents	3,493,642	487,939	3,493,642	487,939
Current borrowings	1,221,043	170,537	1,221,043	170,537
Non-current borrowings	479,821	67,014	479,821	67,014
Bonds to be issued[2]	—	—	2,175,960	303,905
	1,700,864	237,551	3,876,824	541,456
Share capital	273,444	38,191	273,444	38,191
Total equity attributable to owners of the Issuer	16,345,215	2,282,851	16,345,215	2,282,851
Total capitalization[3]	16,825,036	2,349,865	19,000,996	2,653,770

Notes:

(1) This amount has been translated into U.S. Dollars for convenience purpose at a rate of US$1.00 to RMB7.16.

(2) In accordance with Hong Kong Accounting Standards 32 "Financial Instruments: Presentation", a convertible bond that can be converted to equity shares at the option of the holder which is accounted for as compound financial instruments contains both a liability component and an equity component. For purpose of the capitalization table and illustration, the gross proceeds we are expecting to receive from the issuance of the Bonds (before deducting the underwriting commission and other estimated expenses in relation to the issuance of the Bonds) will be assumed as the liability component, and no allocation to the equity component will be made.

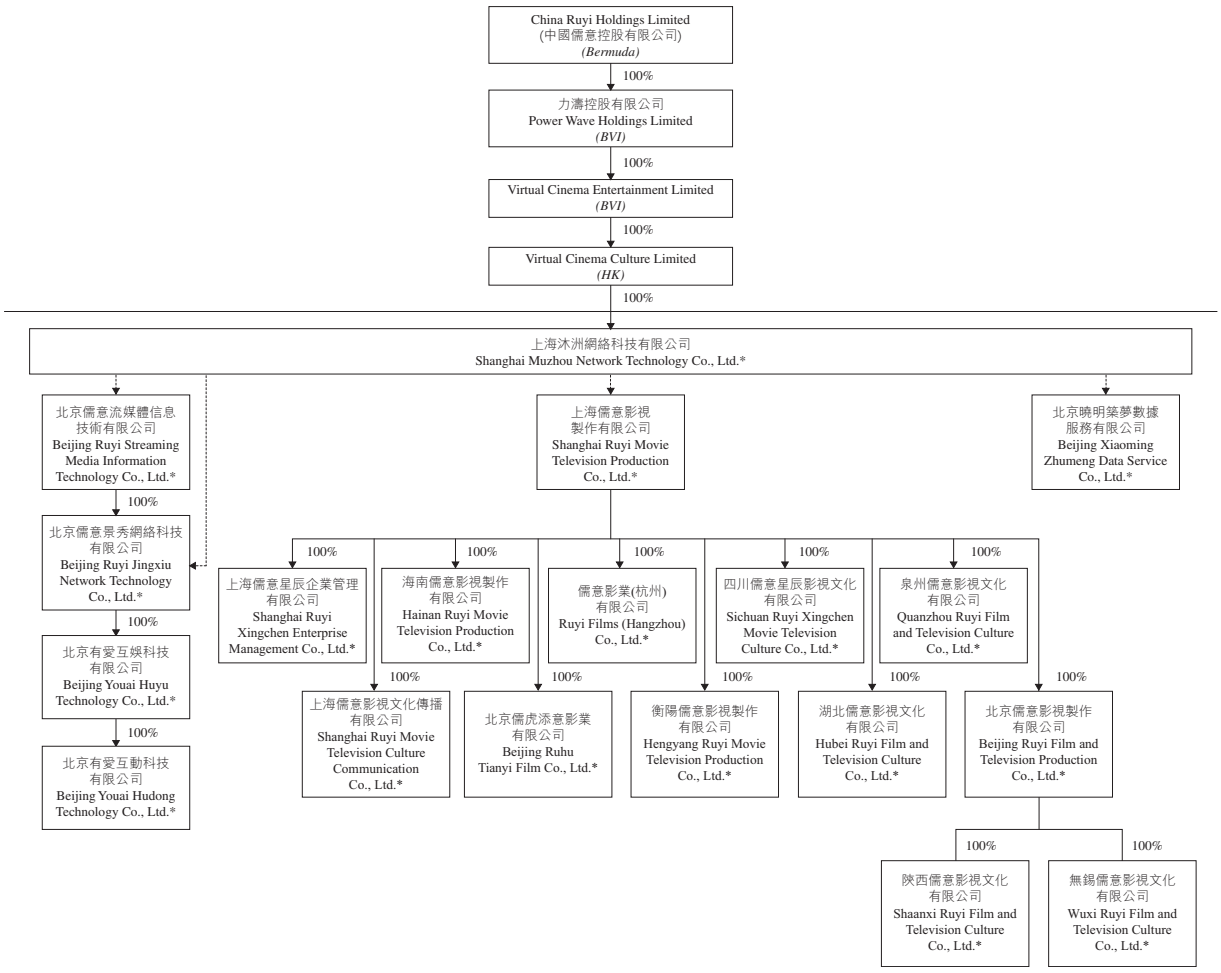
(3) Total capitalization equals non-current borrowings plus total equity attributable to owners of the Issuer.

We may incur additional indebtedness through bank borrowings or issuance of securities or otherwise in the ordinary course of business, including the issuance of additional debt securities.

Except as otherwise disclosed in this offering circular, there has been no material change in our total capitalization and indebtedness since December 31, 2024.

CORPORATE STRUCTURE

The following chart sets forth our simplified corporate structure as of the date of this Offering Circular, in terms of issued Shares.



---------▶ Contractually controlled

* *The Chinese name of the entity is the official name. The English name is translated for identification purpose only.*

BUSINESS

OVERVIEW

We are a film and television production and online streaming and online gaming platform with competitive edge in the PRC. On January 20, 2021, we completed the acquisition of 100% of all issued shares in Virtual Cinema Entertainment Limited, which together with its subsidiaries and variable interest entities, formed the major part of our film and television drama production and online streaming platform. We entered into gaming business in 2022 under the brand "JINGXIU".

We have leading film and television production capabilities in China. Since its establishment in 2006, Ruyi Films has incubated the creation of film and drama series copyrights leveraging its creative scripts, accurate market positioning, professional resource consolidation, standardized production management and rich experience in promotion and distribution. In 2023, our main productions, including "Five Hundred Miles" (交換人生), "Post-Truth" (保你平安), and "One and Only" (熱烈), were well-received. Co-productions like "Lost in the Stars" (消失的她) and "Johnny Keep Walking" (年會不能停) also performed strongly at the box office. Our television dramas "Love is Full of Jiudaowan" (情滿九道彎) and "Fireworks of My Heart" (我的人間煙火) earned good ratings and reputation. Despite a tough market in 2024, films we invested in gained positive feedback. Notably, "Detective Chinatown 1900" (唐探 1900) in which the Company participated in production, achieved a box office of RMB3.4 billion during the 2025 Spring Festival period, and "Boonie Bears: Future Reborn" (熊出沒 • 重啟未來) surpassed RMB800 million at the box office.

We operate an online streaming platform, namely Pumpkin Films. Pumpkin Films is not only a membership subscription-based online streaming platform offering a wide range of film and television dramas, but also an advanced technology platform with powerful algorithm and data analysis capabilities. In 2023 and 2024, Pumpkin Films maintained steady and rapid growth in new members. Relying on the huge online content market in the PRC, Pumpkin Films has reached agency cooperation, some of which are exclusive, for the distribution of streaming rights in mainland China with film and television production companies and copyright agencies domestically and overseas. We also cooperate with domestic Internet platforms, network operators, and smart device manufacturers to diversify our channels of introducing and distributing contents. Pumpkin Films platform has a content bank of programs, including movies and TV drama series, genres covering action, criminal, thrill, comedy and science fiction. We also received strong support from our shareholder, Tencent Holdings Limited ("**Tencent Holdings**", together with its subsidiaries and controlled entities referred to as "**Tencent Group**"). In April 2021, Pumpkin Films entered into an agreement with Tencent Holdings, allowing subscribers of Pumpkin Films to gain access to an extensive number of movies, television dramas and online dramas under the copyright of an integrated online video and streaming service platform operated by Tencent Technology (Beijing) Company Limited* (騰訊科技(北京)有限公司)'s affiliate..

We operate our game business under brand "景秀JINGXIU". Through our game business we are able to further monetize our proprietary IP rights from film and television dramas, creating synergy between films and games. Our online game business experienced remarkable growth in 2023, recording a revenue of RMB446 million for the year ended December 31, 2023, representing a 703.2% growth from that of 2022. In 2024, Jingxiu launched several successful games, including "Ragnarok ORIGIN" (仙境傳說：愛如初見) and "Civilization Mobile" (世界啟元) contributing to a substantial revenue increase. Our gaming business achieved RMB1,992 million in revenue for the year ended December 31, 2024, representing a year-on-year increase of 346.6%. Jingxiu strategically focuses on the integration of technologies with operations, leveraging AI technology to drive innovation and enhance user experience. We also expand our IP ecosystem through strategic investments and partnerships, further solidifying our position in the gaming industry. With a robust portfolio of pipeline projects and a commitment to high-quality content, we believe that Jingxiu is poised for continued growth and success in the market.

In 2024, amidst a complex and ever-changing market environment, we leveraged our forward-looking strategic positioning, actively integrated industry resources, and continuously optimized our diversified business structure, achieving sound performance in revenue during the financial year ended December 31, 2024. Also, our annual revenue showed steady growth, with significant synergies across various business segments. For the years ended December 31, 2023 and 2024, we generated a total revenue of RMB3,627 million and RMB3,671 million, respectively, most of which were generated from content production, online streaming and online gaming businesses, accounting for 99.1% and 99.0%, respectively, of our total revenue of the same year. We had a profit for the year of RMB682.5 million for the year ended December 31, 2023 which was attributed by the responsive measures taken by us in our film and television drama production business segment and the gradual recovery of the market environment after the pandemic. We recorded a loss for the year of RMB206.6 million for the year ended December 31, 2024 which was mainly due to the loss arising from the fair value change of the warrants (the "**Warrants**") issued by the Company for the acquisition of Virtual Cinema Entertainment Limited at the beginning of 2021, which were fully exercised in the financial year of 2024. The change in the fair value of the Warrants represents an accounting related adjustment and is a non-operating item. Given that all of the Warrants were fully exercised within the financial year of 2024, they will no longer have any impact on the financial performance of the Group in the future. The table below sets forth the breakdown of our revenue for the year indicated:

	For the year ended December 31,			
	2023		2024	
	RMB'000	%	RMB'000	%
Content production business	2,227,108	61.3	127,043	3.5
Online streaming and online gaming businesses	1,377,163	38.0	3,507,387	95.5
Other businesses *note 1*	30,976	0.9	36,330	1.0
Inter-segment elimination	(8,000)	(0.2)	/	
Total	3,627,247	100.0	3,670,760	100.0

Note:

1. Other businesses include the internet community and related business and the manufacture and sales of accessories business.

We are actively exploring the opportunities to cooperate with world leading game companies in jointly developing and distributing games, thereby enhancing our market reputation and brand influence. On January 10, 2022, Beijing Ruyijingxiu Network Technology Co., Ltd.* ("**Beijing Jingxiu**"), a controlled structured entity in which our Company has 100% beneficial interest, entered into a cooperation agreement with Shenzhen Tencent Computer Systems Company Limited* (深圳市騰訊計算機系統有限公司) ("**Tencent Computer**"), a controlled structured entity of Tencent Holdings, under which Tencent Computer agreed to provide specific technical services and channel promotion services to Beijing Jingxiu. The entering into of the cooperation agreement enables our Group to broaden its scope of entertainment business, and concurrently enhance the monetization of the proprietary intellectual properties of the Company through the linkage between films and games. To further cooperate in the realm of game technology, Beijing Jingxiu and Tencent Computer entered into another cooperation framework agreement on February 22, 2023 in relation to the cooperation of games between the parties, under which the parties agreed that Beijing Jingxiu and Tencent Group (excluding (i) China Literature Limited, its subsidiaries and its controllable companies through contractual arrangements; and (ii) Tencent Music Entertainment Group, its subsidiaries, and its controllable companies through contractual arrangements) shall cooperate in the field of gaming.

Furthermore, we have invested in Wanda Film Holding Co., Ltd. (萬達電影股份有限公司) ("**Wanda Film**"). Wanda Film's wholly-owned subsidiary, Hu Ai Hu Dong (Beijing) Technology Co., Ltd. (互愛互動(北京)科技有限公司), has a leading position in the overseas game distribution business. Some of the new products distributed and developed by us will be considered for global cooperative distribution so as to further reduce costs and increase profit margins. At the same time, we will reinforce cooperation with Tencent Holdings and other industry-leading distribution partners to carry out diverse cooperation such as game agency distribution cooperation, game joint venture cooperation and marketing services. By creating a diversified product matrix, we will further expand our revenue streams

COMPETITIVE STRENGTHS

We believe the following competitive strengths of our Company have contributed to our past success and will have a profound impact on our future growth.

Pumpkin Films is equipped with strong information technology capability to achieve growth

Focusing on user experience enhancement, Pumpkin Films has achieved a strong growth in number of members

Pumpkin Films is not only a membership subscription-based online streaming platform offering a wide range of films and television dramas, but also an advanced technology company with powerful algorithm and data analysis capabilities. Through continuous utilization of AI research technology, human-computer interaction algorithms, and big data analysis, we try to make computers to "understand" movies by deconstructing films and television dramas using multi-dimensional labeling of the films and television dramas by their metadata, story lines, scenes, props, soundtracks, awards and other factors. On the other hand, by analyzing user behavior data such as the history of their browsing, playing, pausing, searching, and liking, Pumpkin Films is able to conduct and continuously optimize the portrait of users as well as keep track of their evolving appetite for films and television dramas. Equipped with these two powerful technology tools, we are able to recommend films and television dramas to users more precisely and save users' time in browsing and searching for the content they like, thereby enhance users' viewing experience and efficiency.

Pumpkin Films is actively exploring the business model which effectively reduces the costs for copyright, so that it could enter the fast lane of benign development

It is generally known that the biggest cost of the film and television drama platform is the continuous investment in copyright. Therefore it is particularly important to minimize the cost for copyright investment while ensuring the continuous growth in number of its members if Pumpkin Films intends to enhance its profitability. Instead of traditional model of single purchase of film and television copyright, Pumpkin Films releases films and television programmes rights through various distribution channels, such as theatrical release, television release or internet release, and other licensing arrangement so that it could use the strategy of multi-window distribution of online content to achieve a balance between the growth in number of members and reduction in copyright costs. For the sub-licensing of film and television programmes rights, the revenue is recognised at the point in time when the film and television programmes rights are available to the licensee and the licensee is able to use and benefit from the license, generally on delivery of master file of the film and television programmes rights when a customer is provided with a right to film and television programmes rights. The revenue generated from sub-licensing film and television program rights constituted the majority of our online streaming business's revenue.

Pumpkin Films is a global content integration operator adopting the business logic of tokens as confirmation of digital copyright and network-wide distribution. Relying on the huge online content market in the PRC, Pumpkin Films has reached agency cooperation, some of which are exclusive, for the distribution of streaming rights in mainland China with film and television production companies and copyright agencies at home and abroad. We also cooperate with domestic Internet platforms, network operators, and smart device manufacturers to diversify our channels of introducing and distributing contents. In addition, we also deliver domestic content to overseas market to create an integrated operation of global content.

We are well-positioned to enhance our IP monetization capability and expand the horizon of our business by entering the gaming industry

After several years of deep cultivation in the industry, Pumpkin Films has accumulated a large number of user base and strong information technology. Together with profound copyright resources and strong capability in content production of Ruyi Films, we are well-positioned to enhance our IP monetization capability and build a complete industry chain ecosystem comprising the online streaming platform, content production and online games, so that we are able to extend the IP life cycle, enrich the promotion channels of IP content, and create long-lasting influence of the products.

According to the analysis of the big data of viewers of Pumpkin Films, the age of male paying subscribers of Pumpkin Films matches the main consumer group of online games. As such, we are able to use the customer base accumulated by Pumpkin Films as the basis to distribute, promote and release online gaming products either produced by ourselves or third parties. In addition, Ruyi Films has strong capability in content production, which could be further utilized in production of films or drama series derived from game themes, and profound copyright resources which could be further developed into online games. With the synergy among these three business sectors, we believe we are well-positioned to expand our business scope into online gaming industry.

In addition, we have received strong support from one of our substantial shareholders, i.e. Tencent Holdings. Tencent Holdings, as one of the integrated internet service providers in the PRC, has significant advantages and extensive experience in the realm of film and television resources and game products. In April 2021, Pumpkin Films entered into an agreement with Tencent Holdings, allowing subscribers of Pumpkin Films to gain access to an extensive number of movies, television dramas and online dramas under the copyright of an integrated online video and streaming service platform operated by Tencent Technology (Beijing) Company Limited* (騰訊科技(北京)有限公司)'s affiliate. At the beginning of 2022, we and Tencent Holdings reached an agreement on cooperation in the gaming sector. Tencent Holdings will not only provide full technical support but also assist the promotion and attraction of users through different high-traffic channels such as Weixin/WeChat, mobile QQ and Tencent Apps Treasure (應用寶). Under the cooperation with Tencent Holdings, our first mobile game "War of Three Kingdoms" (亂世逐鹿) was launched on May 26, 2022, and our second mobile game "Chuanqi Tianxia" (傳奇天下) in July 2022.

We believe we could leverage Tencent Holding's extensive experience in the realm of game products and gaming operation as well as its market position as one of the integrated internet service providers in the PRC to enhance the development of our own gaming business and further deepen our cooperation with Tencent Holdings. On February 22, 2023, we and Tencent Holdings reached another agreement to further expand the scope of game cooperation and enrich the cooperation model. By this agreement, we believe we are able to further expand our scope of business, enrich our business segments and achieve a multi-dimensional scale of content. On the other hand, further cooperation with Tencent Holdings in the gaming business also allows us to better take advantage of our abundant reserve of high-quality contents so that the value of these contents could be further capitalized and monetized. Eventually, our business is expected to be benefited by further diversified source of income,

strengthened technological capability as well as active interaction between the technical teams of both parties while developing our gaming business. We have launched a new game "Ragnarok Origin" (仙境傳說：愛如初見) based on the well-known IP "Ragnarok" (仙境傳說) in March 2024.

The mobile game, "Civilization Mobile" (世界啟元), officially licensed by the IP "Civilization" (文明) from the world-renowned game company 2K Games, developed by Tencent Aurora Studios and distributed by us, was launched on July 16, 2024. It ranked first on the iOS free list on the first day of its public beta test and remained among the top ten within the following week. In addition, in the sports game segment, "Haikyu Flyhigh" (排球少年：新的征程), released in 2024, also topped the App Store free list and the iOS sports bestseller list on the first day of its public beta test.

In May 2024, we entered into an equity transfer agreement with the relevant vendors in relation to the acquisition of Beijing C4-Games Technology Co., Ltd.* (北京有愛互娛科技有限公司), the project team of "Red Alert Online" (紅警OL) which has rich experience in simulation games ("**SLG**"), and entered into further cooperation with Electronic Arts, an internationally renowned game manufacturer, on the IP of "Red Alert Online" (紅警OL). The acquisition was completed in July 2024. This acquisition marked the formal entry of Beijing Jingxiu into the cycle of self-research and self-development of games, enabling us to continue to innovate products and content on the "Red Alert Online" (紅警OL). Relying on the profound accumulation of the IP of "Red Alert Online" (紅警OL), our self-developed game "Command & Conquer: Legions" (紅警：榮耀) is planned to launch a global beta test in 2025, aiming to reshape the value of the classic IP through innovative gameplay and immersive storytelling.

We have leading film and television production capabilities with our producer-centric model in China, and have independently produced a number of blockbuster films and drama series, providing continuous content support and long-lasting vitality for our online streaming business.

Our strong capability in producing film and drama series of top quality release us from the reliance on purchasing copyright from third parties. Since its establishment in 2006, Ruyi Films has incubated the creation of film and drama series copyrights leveraging its creative scripts, accurate market positioning, professional resource consolidation, standardized production management and rich experience in promotion and distribution. It has also invested in and produced numerous influential films and drama series, which won a number significant awards, such as the Flying Apsaras Award, the Golden Eagle Award, the Magnolia Award and the Huading Award. Successfully creating a series of high-quality films and drama series full of Chinese culture, Ruyi Films has quickly become the leading content producer in the industry.

Iconic drama series that Ruyi Films produced include "All Quiet in Peking" (北平無戰事), "Langya List" (琅琊榜), "Miyue Biography" (芈月傳), "We Fall in Love" (咱們相愛吧), "Frontier of Love" (愛情的邊疆), "The Times We Had" (國民大生活), "Ordinary Years" (平凡歲月), "Doctor of Traditional Chinese Medicine" (老中醫), "The Legendary Tavern" (老酒館), "Love Is Full of Jiudaowan" (情滿九道彎), "Fireworks of My Heart" (我的人間煙火), "To the Wonder" (我的阿勒泰), "War of Faith" (追風者), "Judge Dee's Mystery" (大唐狄公案) and "Day and Night II" (白夜破曉).

Iconic films we produced include "So Young" (致我們終將逝去的青春), "Old Boys: The Way of the Dragon" (老男孩猛龍過江), "Once Upon a Time" (三生三世十里桃花), "City of Rock" (縫紉機樂隊), "Animal World" (動物世界), "Some Like It Hot" (情聖), "Airpocalypse" (天氣預爆), "A Little Red Flower" (送你一朵小紅花), "The Reunions" (吉祥如意), "Hi, Mom" (你好，李煥英), "Moon Man" (獨行月球), "Five Hundred Miles" (交換人生), "Post-Truth" (保你平安), "One and Only" (熱烈), "Lost in the Stars" (消失的她), "Johnny Keep Walking" (年會不能停), "Article 20" (第二十條), "YOLO" (熱辣滾燙), "Pegasus 2" (飛馳人生2), "Boonie Bears: Time Twist" (熊出沒 • 逆轉時空), "Upstream" (逆行人生), "HENGYANG 1944" (援軍明日到達). "White Snake: Floating Life" (白蛇：

浮生), "Octopus with Broken Arms" (誤殺3), "Honey Money Phony" (騙騙喜歡你), "Successor" (抓娃娃), "Detective Chinatown 1900" (唐探 1900) and "Boonie Bears: Future Reborn" (熊出沒 • 重啟未來).

During the 2024 Spring Festival period, the four films in which we participated in production, namely "Article 20" (第二十條), "YOLO" (熱辣滾燙), "Pegasus 2" (飛馳人生2) and "Boonie Bears: Time Twist" (熊出沒 • 逆轉時空), remarkably occupied the top four in the box office ranking during the Spring Festival period. At the same time, "Judge Dee's Mystery" (大唐狄公案) became the first suspense ancient Chinese costumes drama purchased by Netflix. "War of Faith" (追風者) received the highest viewership rating during CCTV's prime time with positive market responses. During the 2025 Spring Festival period, the Company's film "Detective Chinatown 1900" (唐探 1900), in which the Company participated in production, achieved a box office of RMB3.4 billion, ranking second in the Spring Festival box office and topping the 2025 United Kingdom and Ireland Spring Festival box office chart for Chinese-language films. Another film, "Boonie Bears: Future Reborn" (熊出沒 • 重啟未來), also surpassed RMB800 million at the box office.

We adopt the producer-centric model, by virtue of which we can create a complete content production chain to ensure continuous and efficient production of high-quality film and drama series through unique content development and standardized production management system. In addition, we tend to recruit new talents so that we do not have to rely on famous directors or stars for the success of our films and drama series. Under this model, we extensively use our own team of producers that can not only ensure the quality of content production, but also effectively control costs. Thanks to our effective cost control operation model, we are able to achieve huge box office success with low-cost productions. For example, we produced the films "A Little Red Flower" (送你一朵小紅花) at a low cost while it has achieved a total box office of RMB1.4 billion.

In addition, our Pumpkin Films adopts an ad-free long video subscription-only system, which allows it to form a positive cycle for the liquidity of our business. By offering popular films and drama series and high quality viewing experience, we attract members to subscribe and become paying users. The revenue generated therefrom supplement the funds for production of high-quality content as well as purchase of high-quality films and drama series, which in turn attract more subscribers. By analyzing the real viewing data from a large number of paying users of Pumpkin Films, we are able to understand the popularity of particular films or drama series among different groups of audience, which in turn may guide us in producing content that matches the appetite of particular group of audience. Under this model, a healthy and win-win synergy is created between our Pumpkin Films and Ruyi Films, which is expected to create a user-orientated production model and further reinforce our brand image and build the industry moat.

We have a visionary and experienced management team with in-depth industry knowledge, which not only forged our success in the past but also is expected to lead us to our future success.

Our senior management's invaluable experience, expertise and knowledge, as well as substantial industry resources and market connections have enabled us to maintain sustainable growth of our business and seize suitable business opportunities in a timely manner. Their industry insight and strategic vision have also allowed us to timely respond to the ever-changing market trends and viewers' preferences, which we believe have contributed to our past success. Our Chairman Mr. Ke Liming is one of the few professional film and television producers with a comprehensive background in financial investment in the PRC. Other management members have also been deeply involved in the industry for many years and have produced many high-rated famous films and drama series.

We attach great importance to the discovery and training of producers. We focus on cultivating the young generation of producers by having experienced producers educate and train them. Our friendly corporate culture enable the young generation of producers to feel a sense of belonging and develop the

willingness to grow with us, which strengthens the bond between the producer team and us. We also have a professional execution team to provide professional support in various aspects, such as legal affairs, copyright and content.

We are confident that the leadership of our senior management team will continue to enhance our market position and reputation, and bring business growth and profitability to our Group. We believe that our senior management team will continue to be our Group's invaluable assets and steer us towards greater success in the future.

We leverage AI technology which drives innovation and enhances our competitive strengths

We have established a significant competitive edge through the integration and advancement of AI technology across various aspects of our business. The AI Technology Laboratory of Pumpkin Films, which was developed by third party and established in 2023, has been instrumental in driving innovation and enhancing our capabilities in film and television production. We utilize advanced AI and machine learning algorithms to enhance content production, including personalized content recommendations that improve user engagement and satisfaction. Leveraging big data analytics, we gain insights into user preferences and behavior and in turn optimize content delivery and marketing strategies by predicting user's needs. With respect to information that the we collect and use in AI systems, such information would not be shared outside the game or streaming service environment.

The third-party AI service provider is independent of the Company. In selecting AI service providers, we conducted a comprehensive comparison of multiple AI service providers in the market and evaluated them based on technical strength, market reputation and case experience to find a provider that fits our business needs. The selected AI service provider has strong technical R&D capabilities, and has the ability to continuously update and optimize AI technology to meet our business needs. Additionally, it can provide personalized AI solutions according to our specific business scenarios and objectives, meeting our needs in different business segments. Currently, we do not modify or customize any third-party AI system and do not plan to create or modify such AI technology in the future.

The in-depth application of AI technology enables technological innovation in various aspects such as script creation, characterization, scene design, special effects generation, and music composition. In terms of script creation and development, the laboratory has conducted in-depth text analysis of scripts through natural language processing technology and introduced a generative pre-training model to generate dialogues and lines that align with the style and theme of scripts. This greatly extends the room for creativity in script writing. In terms of characterization and actor selection, we use computer vision and machine learning technology to realize a precise match between a character and an actor. Virtual people with body shape similar to the actor's are created through 3D modeling, allowing for a certain range of virtual people interaction.

In terms of music composition for our films and television dramas, although the AI music generation technology has encountered some setbacks, we will continue to invest in further developed third-party algorithms to optimize the algorithm and break through the bottleneck. Our goal is that through the analysis and learning of extensive music data, the system can learn about the musical characteristics of different genres and emotions, and automatically generate background music and theme songs based on plot needs. This will improve the efficiency of music composition and add unique artistic charm to our films and television dramas.

In terms of scene design and special effects generation, we use technologies such as 3D modeling, rendering, and physics engines to achieve realistic simulations of our films and television scenes. The use of computer graphics (CG) technology to perform high-precision synthesis and rendering of special effects presents stunning visual effects to the audience. The achievements made in this area are the most important and valuable part of our AI laboratory.

We plan to make this capability available directly to the domestic film and television industry in the foreseeable future, further promoting innovation and development in the industry. Our technological strength not only has depth in theory but also shows great strength in practical application. With the continuous advancement of technology and the ever-changing market demands, we will continue to promote innovation and endeavor to provide even more excellent products and services to meet and exceed the expectations of our customers. Through unremitting efforts and continuous innovation, we will make more brilliant achievements in our future development.

BUSINESS STRATEGIES

Our objective is to strengthen our position in the PRC content production, online streaming and online gaming market, and enhance our overall competitiveness. To achieve this objective, we plan to execute the following business strategies:

Continue to enrich content offerings to include high-quality game portfolio

We plan to continue to enhance our IP monetization ability and build the integrated industry chain ecosystem comprising films and drama series content production, online streaming platform, and online games. By building the integrated industry chain ecosystem, it is expected to extend the IP life cycle, enrich the promotion channels of IP content, and create long-lasting influence of the products. We plan to leverage the resources of Pumpkin Films, our online streaming platform, to distribute, promote and release online gaming products either produced by ourselves or any third parties. We launched our first mobile game "War of Three Kingdoms" (亂世逐鹿) on May 26, 2022, and our second mobile game "Chuanqi Tianxia" (傳奇天下) on July 26, 2022. We have launched a new game "Ragnarok Origin" (仙境傳說：愛如初見) based on the well-known IP "Ragnarok" (仙境傳說) on March 26, 2024. The mobile game, "Civilization Mobile" (世界啟元), officially licensed by the IP "Civilization" (文明) from the world-renowned game company 2K Games, developed by Tencent Aurora Studios and distributed by us, was launched on July 16, 2024. It ranked first on the iOS free list on the first day of its public beta test and remained among the top ten within the following week. In addition, in the sports game segment, "Haikyu Flyhigh" (排球少年：新的征程), released in 2024, also topped the App Store free list and the iOS sports bestseller list on the first day of its public beta test.

We also plan to seek cooperation with third parties to distribute gaming products on Pumpkin Films. According to the analysis of the big data of viewers of Pumpkin Films, the age of male paying subscribers of Pumpkin Films matches the main consumer group of many online games. As such, we are able to utilize the customer base accumulated by Pumpkin Films as the basis to develop users in our gaming sector to achieve the synergy between the two business sectors. Furthermore, we plan to make full use of our content production capacity to produce films or drama series derived from online game themes on one hand, and profound content resources we have accumulated over years to produce derivative game products on another. We believe this synergies created among our online streaming platform, content production and online gaming business will allow us to realize a multi-dimensional IP monetization, and expand the horizon of our entertainment business.

Continue to develop our content production

We will continue to strengthen our development of content production businesses. Leveraging the experience in industrialized film and television production, our producer-centric system at Ruyi Films creates an integrated content production chain that standardizes and refines the production process. Attributable to our integrated content production chain, we are able to continuously produce high-quality content with controlled cost. By creating more excellent films and drama series, we believe more users will be attracted to subscribe for the membership of Pumpkin Films, where these excellent contents are released. On the other hand, by analyzing the real viewing data from a large number of paying users of Pumpkin Films, we are able to understand the popularity of particular films or drama series among

different groups of audience, which in turn may guide us in producing content that matches the appetite of particular group of audience. We will continue to leverage synergy between Pumpkin Films and Ruyi Films and create customized and exclusive content for Pumpkin Films based on our big data analysis, thereby creating a user-orientated content production model.

We plan to steadily and continuously create films and drama series that are in line with the main stream theme and appetite of the public by focusing on differentiated content creation and diversified content offering. We plan to continue to embrace the essence of traditional Chinese culture, promote positive energy, and actively reflect the themes of the era. Through modern, artistic and popularized production and expression, we aim to create resonance between films and audiences and provide a spiritual sustenance for audiences, thus strengthening the cultural identity and cultural confidence of Chinese people. We are committed to assist China's streaming media industry in creating appealing narratives of the Chinese people, and promoting Chinese culture across the world.

In addition, we will continue to adhere to the developmental concept of "technology facilitates innovation, innovation facilitates growth" and embrace future technology development and innovation with an open mindset. We intend to continue to deepen our innovation and application of smart technology. Through our technology empowerment, we are committed to bring immersive cultural and entertainment experiences for users.

Continue to leverage the shareholder's strong support

We have been continuously supported by one of our substantial shareholders, Tencent Holdings. While making breakthrough in our business development, we believe Tencent Holdings will continue to be optimistic on our development prospects and provide more support in our business development. At the beginning of 2022, we and Tencent Holdings reached an agreement on cooperation in the gaming sector, pursuant to which Tencent Holdings will not only provide full technical support but also assist the promotion and attraction of users through different high-traffic channels such as Weixin/WeChat, mobile QQ and Tencent Apps Treasure (應用寶). Under the cooperation with Tencent Holdings, we launched our first mobile game "War of Three Kingdoms" (亂世逐鹿) on May 26, 2022, and our second mobile game "Chuanqi Tianxia" (傳奇天下) on July 26, 2022. We have launched a new game "Ragnarok Origin" (仙境傳說：愛如初見) based on the well-known IP "Ragnarok" (仙境傳說) on March 26, 2024.

We believe we could leverage Tencent Holding's extensive experience in the realm of game products and gaming operation as well as its market position as one of the integrated internet service providers in the PRC to enhance the development of our own gaming business and further deepen our cooperation with Tencent Holdings. On February 22, 2023, we and Tencent Holdings reached another agreement to further expand the scope of game cooperation and enrich the cooperation model. By this agreement, we believe we are able to further expand our scope of business, enrich our business segments and achieve a multi-dimensional scale of content. On the other hand, further cooperation with Tencent Holdings in the gaming business also allows us to better take advantage of our abundant reserve of high-quality contents so that the value of these contents could be further capitalized and monetized. Eventually, our business is expected to be benefited by further diversified source of income, strengthened technological capability as well as active interaction between the technical teams of both parties while developing our gaming business.

We plan to unleash this shareholder's empowerment and fully integrate with our shareholders' ecosystems. Leveraging the strengths of our shareholders in the entire industry chain and digital data fields, we plan to further enhance and optimize the upstream and downstream business along the industry chain, as well as online and offline channels. Through the large amount of traffic-attracting

resources empowered by our shareholders, we plan to achieve a continuous growth in the number of subscribers and users. Meanwhile, we will continue to seek opportunities to deepen and expand cooperation with Tencent Holdings in various fields.

Continue to attract and retain talented professionals

In order to maintain our competitive advantage in the content production and online streaming platform market in the PRC, we intend to recruit more experienced professionals while retaining existing staff. We plan to scout for experienced professionals in the content production and online streaming platform market, especially those who have been exposed to the investment, production, distribution and online streaming business of film and drama series. We believe that such relevant experience will add immediate value to our existing operational capabilities and help us expand our business faster.

OUR BUSINESS

Content Production — Ruyi Films

Ruyi Films is a professional film and television production brand with industry leading capabilities in R&D, production, as well as promotion and distribution.

We generally undertake the filming and production of films and TV drama series in which we take the leading position in development and investment. For projects that we act as leading investor, we retain the right for development, production, broadcasting and distribution, while for few projects that we act as subordinate investors, we enjoy a fixed return. For films and TV drama series production, the revenues are mainly generated from box offices, selling of broadcasting right to online streaming platforms and TV channels. Depending on the volume of production, the production process could last one to two years from initial planning till screening.

We have a team of seasoned and talented producers. Leveraging the experience in industrialized film and television production, our producer-centric system at Ruyi Films creates an integrated content production chain that standardizes and refines the production process. Attributable to our integrated content production chain, we are able to continuously produce high-quality content with controlled cost. The production process can be broadly divided into three stages, namely (i) planning and projecting, (ii) filming and production, and (iii) distribution and promotion:

- *Planning and projecting:* Our project development team proposes the original content for development after the analysis of the drama series and film types that are popular among users through advanced multi-dimensional algorithm on Pumpkin Films and extensive market research on the trendy drama series, interesting topics and themes for drama series, literary creation trends and hot topics. After the preliminary creative planning, the script writers and directors team will work together on the script for the drama. The script is normally finalized after several rounds of revision. Once the script is ready, we review the project based on its theme and quality as well as its feasibility and potential return on investment. If the project is expected to be feasible, we then decide the financing plan and seek investment for the project.

- *Filming and production:* The filming crew is a unique production unit in the film and television industry. It comprises a variety of professionals, such as producer(s), director(s), actors, camera crew, makeup artists, sound recording and editing crew. The time of shooting generally lasts three to six months, and is affected by a number of factors, including among others, the length and scale of the drama, schedule of artists, condition of natural environment and filming studios, as well as the availability of funds. The presale and promotion of the film and drama series usually begins prior to the completion of filming.

Presale is an important step in sales and marketing efforts as presale activity facilitates the determination of broadcast schedule with circuit theatres and TV channels. After the shooting, the film and drama series undergoes the post-production process, which is recreation and deep processing of shooting material, including among other things, screen dialogue editing, music recording, sound imitation, re-recording sound effects, supplementary shooting of scenes, production of captions and sound mixing.

- *Distribution and promotion:* Once the film or drama series is ready, we internally review the film or drama series for an overall evaluation of its quality and embedded commercials. After that, we submit it to the relevant PRC government review organization for content review and obtain the distribution licenses. We distribute self-produced films and drama series through online streaming platforms, including our Pumpkin Films, cinemas and TV channels.

Based on the segmentation and subdivision of audience, we are able to access different groups of audience. On one hand, we produce youthful masterpieces that focus on passionate years of life and appraise ordinary daily lives, such as "Hi, Mom" (你好，李煥英), "Post-Truth" (保你平安), "City of Rock" (縫紉機樂隊),"One and Only" (熱烈) and "YOLO" (熱辣滾燙); while on the other hand, we produce drama series appealing to audience of age that are of ideological depth, aesthetic appeal and national spirits and tell the story of Chinese history, such as "Love Is Full of Jiudaowan" (情滿九道彎), "All Quiet in Peking" (北平無戰事), "Doctor of Traditional Chinese Medicine" (老中醫), "The Legendary Tavern" (老酒館) and"Judge Dee's Mystery" (大唐狄公案).

Films in which we served as the main producer, including "Five Hundred Miles" (交換人生),"Post-Truth" (保你平安) and "One and Only" (熱烈), earned good reputation from the audience. The films in which we served as the co-producer, including "Lost in the Stars" (消失的她) and "Johnny Keep Walking" (年會不能停), also achieved remarkable results in terms of box office. Despite the challenging market environment, several films we invested in 2024 received positive market feedback. Most notably, during the 2025 Spring Festival period, the film "Detective Chinatown 1900" (唐探1900), in which the Company participated in production, achieved a box office of RMB3.4 billion, ranking second in the Spring Festival box office and topping the 2025 United Kingdom and Ireland Spring Festival box office chart for Chinese-language films. Another film, "Boonie Bears: Future Reborn" (熊出沒 • 重啟未來), also surpassed RMB800 million at the box office. In terms of reserve projects, the science fiction film "Echoes of Encounter" (我們生活在南京) is actively under preparation. Additionally, the romantic fantasy film "Gift from a Cloud" (有朵雲像你) is set to be released soon. Looking ahead, we will continue to comprehensively strengthen our investment in high-quality films, with the aim of improving the overall investment returns.

In 2024, we achieved remarkable results in drama series. As the first Chinese-language long form drama series selected as part of the Official Selection for Competition by CANNESERIES, "To the Wonder" (我的阿勒泰) was aired in May 2024; it also garnered dual honors at the Third China TV Drama Ceremony, winning both awards of "Outstanding TV Drama of the Year" (年度優秀電視劇) and "Overseas Spreading Drama Series of the Year" (年度海外傳播大劇). "War of Faith" (追風者), a Republic of China era espionage drama, not only won the "Outstanding TV Drama of the Year" (年度優秀電視劇) at the Third China TV Drama Ceremony and the Beijing TV Literature and Art Innovation Award (北京電視文藝創新推優獎), but also became a model work for the narrative innovation of Republic of China era espionage dramas. "Judge Dee's Mystery" (大唐狄公案) was aired on Netflix and became the first suspense ancient Chinese costumes drama purchased by Netflix. "Day and Night II" (白夜破曉) has set a new industry record that the view volume on its premiere day on Youku reached 18.72 million and its in-platform popularity soared to a peak of 7,000 within first 8 hours, showcasing the enduring appeal of this top-tier IP. On the project pipeline front, we have multiple high-quality series ready for launch. These include: "Prosecutor and Boy" (檢察官與少年), a television drama featuring the work of prosecutors; "Light to the Night" (黑夜告白), a realistic criminal investigation

and suspense drama; "Familiar Hearts" (遇人不熟), a romance-themed series; "Path to Glory" (大道朝天), an epic historical fantasy; and "Legends of the Sect" (萬古最強宗), a historical fairy and hero comedy and so forth. All these dramas are in the preparation stage.

Online Streaming — Pumpkin Films

We operate an online streaming platform with a vertical subscription-only membership system, namely Pumpkin Films. Users can access a wide range of movies and TV dramas. We generate revenue from membership fee, copyright distribution fee and resale of copyrights.

We offer a wide range of movies and TV dramas. Leveraging our strong capability in content production and distribution, we have access to high quality content resources produced either by ourselves or leading content producers in both the PRC and overseas. Pumpkin Films is a global content integration operator adopting the business logic of tokens as confirmation of digital copyright and network-wide distribution. Relying on the huge online content market in the PRC, Pumpkin Films has reached agency cooperation, some of which are exclusive, for the distribution of streaming rights in mainland China with film and television production companies and copyright agencies domestically and overseas. We also cooperate with domestic Internet platforms, network operators, and smart device manufacturers to diversify our channels of introducing and distributing contents. Pumpkin Films platform has a content bank of programs, including movies and TV drama series, covering genres such as action, criminal, thrill, comedy and science fiction. In addition to content produced by ourselves, we seek cooperation with leading film and television production companies, mainstream IP agencies and independent film producers as well as IP owners, both domestic and overseas, to diversify our source of content so that we can satisfy an ever-changing appetite of consumers. For example, in April 2021, Pumpkin Films entered into an agreement with Tencent Holdings, allowing subscribers of Pumpkin Films to gain access to an extensive number of movies, television dramas and online dramas under the copyright of an integrated online video and streaming service platform operated by Tencent Technology (Beijing) Company Limited* (騰訊科技(北京)有限公司)'s affiliate.

Pumpkin Films adopts advanced algorithms and an ad-free model. Through continuous utilization of AI research technology, human-computer interaction algorithms, and big data analysis, we try to make computers to "understand" movies by deconstructing films and television dramas using multi-dimensional labeling of the films and television dramas by their metadata, story lines, scenes, props, soundtracks, awards and other factors. On the other hand, by analyzing user behavior data such as the history of their browsing, playing, pausing, searching, and liking, Pumpkin Films is able to conduct and continuously optimize the portrait of users as well as keep track of their evolving appetite for films and television dramas. Equipped with these two powerful technology tools, we are able to recommend films and television dramas to users more precisely and save users' time in browsing and searching for the content they like, and thereby enhance users' viewing experience and efficiency. In addition, based on the big data we collect from a large number of paying users, we can facilitate data-orientated content production and produce popular films and drama series.

Gaming Business

From the first half of 2022, we started our comprehensive cooperation with Tencent Holdings in gaming sector. As a result, our gaming business has become one of our major business segments and formed an important source of revenue as well as an important approach to extend the long-tail value of the content.

At the beginning of 2022, we and Tencent Holdings reached an agreement on cooperation in the gaming sector. Tencent Holdings not only provides full technical support but also assists the promotion and attraction of users through different high-traffic channels such as Weixin/WeChat, mobile QQ and Tencent Apps Treasure (應用寶). Under the cooperation with Tencent Holdings, our first mobile game

"War of Three Kingdoms" (亂世逐鹿) was launched on May 26, 2022. On the day of its launch, "War of Three Kingdoms" got off to a good start. It was recommended by the App Store Today, and ranked top in the free game rankings. Our second mobile game "Chuanqi Tianxia" (傳奇天下) was launched on July 26, 2022. These two games achieved profits since their launch.

We believe we could leverage Tencent Holding's extensive experience in the realm of game products and gaming operation as well as its market position as one of the integrated internet service providers in the PRC to enhance the development of our own gaming business and further deepen our cooperation with Tencent Holdings. On February 22, 2023, we and Tencent Holdings reached another agreement to further expand the scope of game cooperation and enrich the cooperation model. By this agreement, we believe we are able to further expand our scope of business, enrich our business segments and achieve a multi-dimensional scale of content. Under the cooperation, user-experience is expected to be further enhanced by immersion experience and thereby increase the existing user's stickiness as well as attract new users. On the other hand, further cooperation with Tencent Holdings in the gaming business also allows us to better take advantage of our abundant reserve of high-quality contents so that the value of these contents could be further capitalized and monetized. Eventually, our business is expected to be benefited by further diversified source of income, strengthened technological capability as well as active interaction between the technical teams of both parties while developing our gaming business. We have launched a new game "Ragnarok Origin" (仙境傳說：愛如初見) based on the well-known IP "Ragnarok" (仙境傳說) on March 26, 2024.

The mobile game, "Civilization Mobile" (世界啟元), officially licensed by the IP "Civilization" (文明) from the world-renowned game company 2K Games, developed by Tencent Aurora Studios and distributed by us, was launched on July 16, 2024. It ranked first on the iOS free list on the first day of its public beta test and remained among the top ten within the following week. In addition, in the sports game segment, "Haikyu Flyhigh" (排球少年：新的征程), released in 2024, also topped the App Store free list and the iOS sports bestseller list on the first day of its public beta test.

In July 2024, we completed the acquisition of Beijing C4-Games Technology Co., Ltd.* (北京有愛互娛科技有限公司), the team behind "Red Alert Online" (紅警OL) with rich experience in SLG. This acquisition marks our entry into game self-research and development. We will innovate products and content for "Red Alert Online" (紅警OL). Our self-developed game "Command & Conquer: Legions" (紅警：榮耀) will start a global beta test in 2025, aiming to revitalize the classic IP with new gameplay and storytelling. We also aim to develop and distribute a game named "Heroes of Might & Magic: Lordship Rivalry" (魔法門之英雄無敵：領主爭霸) based on Ubisoft's well-known IP, the "Heroes of Might & Magic" (魔法門之英雄無敵) series, which is scheduled to commence external commercial testing within 2025.

INFORMATION TECHNOLOGY

We view the advanced information technology as essential to the success of our online streaming business. As the core of the membership-based streaming platform, we aim to satisfy users with the ultimate audio-visual experience. As such, our entire IT team is built for the purpose of elevating our users' ultimate audio-visual experience. Our overall investment in information technology not only focuses on meeting the basic capabilities for the online streaming platform operation, but also on continuously enhancing the users' audio-visual experience. We have invested in several cutting-edge technology areas, especially in video bitrate and audio processing, which we believe are important in maintaining our industry-leading competitive advantages in the industry.

Pumpkin Films has developed its core competitiveness with data-driven innovation from the three dimensions consisting of user behavior digitization, film deconstructing and labelling and customization of content production. Based on the real behavior of a large number of paying users, extensive big data has been accumulated, which allows us to digitalize the behavior of paying users. We match this data

with the data of sorted films to understand user preferences and improve the accuracy of recommendation. Our technology system allows us to sort films in different dimensions, including their levels of action, romance and suspense as well as their plots, endings and actors. This film deconstructing and labelling function enables us to enhance the accuracy for film recommendation and extract long-tail value of the films. For customization of content production, we are able to customizes high-quality original content and purchases copyrighted dramas close to users' preference based on the big data we collect and analyze on the behavior of paying users.

Using the state of the art container services in the industry, our IT infrastructure can automatically scale and expand within seconds according to the user scale. The technology employed in our online streaming platform, such as 4K ultra-high bitrate repair technology, lossless transmission playback technology, virtual human live screening room technology, multi-channel processing (two-channel surround experience) technology, and full-dimensional intelligent recommendation (through big data real-time analysis), can upgrade the audio-visual experience of our users to a whole new level.

We intend to further invest in building a new IT service center, which is expected to provide external services through the load mode simultaneously, so as to ensure the continuity of services in the event of a catastrophic failure in a single IT service center.

In 2024, DreamShaper platform was launched. This platform comprehensively enhances the efficiency of content production and operation by leveraging AI model capabilities as developed by third party. DreamShaper, by deeply learning from script data, can automatically generate a script framework based on the deep inference model, providing inspiration and creativity for screenwriters and significantly shortening the scriptwriting cycle. At the same time, the model inference capacity can offer improvement suggestions for existing scripts from no less than 10 dimensions, making the scripts more in line with life scenarios and logically coherent, thus improving the script quality. In terms of content creation, we are actively exploring the AI produced short dramas segment, further expanding the application scenarios of AI technology and creating a differentiated content library.

In order to protect the privacy of our users' personal data, we store any private data of our users in a desensitized storage. If needed, we may analyze the data of our users but only on an anonymized basis. As of the date of this offering circular, there has not been any privacy leakage or other privacy disputes relating to our online streaming platform. Most of the systems we use to provide our services are self-developed. We also cooperate with cloud service provider for data storage and cloud computing.

SALES AND MARKETING

Branding

We believe that our high-quality video content and advanced online streaming technology lead to strong word-of-mouth referrals, which drives customer awareness of our brand in China. Our market position benefits significantly from our large and high-quality user base, our strong brand recognition and the ultimate viewing experience.

Leveraging our deep understanding of user behaviour, we employ a variety of online marketing programs and promotional activities to build our brand as part of our overall marketing strategy, including celebrity endorsement, hot topic dissemination through different media outlets, brand value embedment, cross-over marketing and integration and cross-industry cooperation in blockbuster content, as well as resource sharing with major internet media platforms.

We host many offline activities to enhance our brand recognition. To increase members' loyalty, we organize special events for members such as on-site visits during the show productions. We also host innovative offline marketing activities to promote our multi-dimension exposure as well as accurate customer targeting. For example, in order to promote the movie "Post-Truth" (保你平安) after its initial release, we organized the main creation team to conduct a number of offline roadshow activities and customized viewing activities in February 2023. With the face-to-face communication and sharing between the main creation team and fans, the movie's reputation and box office had once again reached a peak.

We execute marketing strategies aiming at young users to enhance their affinity. We use innovative technology to communicate with the younger generation, such as employing social media platforms to facilitate user engagement. We also improve user engagement through functional application modules such as auditoriums, quiz lottery, and personal sharing in our Pumpkin Films application.

We make full use of our marketing experience and resources accumulated in content production and online streaming businesses to promote emerging gaming business so as to enhance our marketing performance.

Content Promotion

We employ a variety of traditional and online promotional activities to promote our content. We deploy outdoor brand advertisements, such as display ads in subway stations. Our promotional efforts are also focused on brand advertisements placed on internet, TV channels and social media campaigns. Furthermore, we also organize offline promotional events attended by popular celebrities to raise the awareness of our content offerings.

User Acquisition

We primarily rely on organic user growth through our well-established brand, word-of-mouth referrals through our own applications on smartphones as well as advertisement. We use a combination of online and offline channels for user and traffic acquisition. Our online user and traffic acquisition efforts focus on promotion through third-party Android and iOS application stores and popular search engines. We cooperate with a number of third party platforms on which users can top up funds and then use our service on Android and iOS application. We also cooperate with enterprises so they will promote and market our platform for us or they will purchase services on our platform to be included in their own platform service. We also present our contents to users and attract users to our platform by placing posters and short videos on cooperative promotion channels, like smart TVs and by short video commentary of high-quality films and drama series. In addition, we actively market our games through collaboration with well-known brand, celebrity endorsement, and advertisement to attract new game users. We improve user attachment to our platform through differentiated recommendation of high-quality content to our users by application notifications, SMS reminders and self-media matrix accounts.

OUR CUSTOMERS

Our customers primarily include viewers of our drama series and films in theatres, paying subscribers on our online streaming platform and users for our gaming business.

OUR SUPPLIERS

Our major suppliers primarily include (i) producers or copyrights owners of the drama series and films, who license the copyrights or broadcasting rights of the drama series and films to us; and (ii) third-party service providers relating to drama series and films promotional activities.

In the PRC, we have deepened our cooperation with fixed copyright owners, and constantly enriched the resources of domestic classic film and drama series, and launched new films with good reputation in theatres in a timely manner.

We also work with drama series and films promotion agencies to promote our dramas series and films. Through this kind of cooperation, we maintain a leading position in order to make sure our works are properly promoted.

INTELLECTUAL PROPERTY

We highly value our intellectual property rights, which are fundamental to our success and competitiveness. We rely on a combination of copyright, trademark and trade secret laws and restrictions to protect our intellectual property rights. As of December 31, 2024, we have registered 85 trademarks with the Trademark Office of the State Administration for Industry & Commerce of the PRC. We also had 22 registered work copyrights, 206 registered software copyrights and 2 registered patents in mainland China.

We employ a three-phase copyright protection scheme consisting of copyright management, network monitoring, and complaint or legal action. Our proprietary copyright management system registers all procured copyrights and ensures that licensed contents on our platform do not exceed their scope and term of the licensing agreement. We have developed a proprietary system to detect unauthorized use of our content on other websites. We also establish various other channels for copyright protection. We set technical barriers to deter illegal video content extractions. We encourage our users to report pirated content, and our copyright protection team promptly removes any suspected infringing content once we receive proper notification from the legitimate copyright owner. As a major market player in the video industry, we also attach great value to industrial response and feedback. We actively liaise with other major internet video streaming services to form industry union and collectively protect copyright.

LICENSES AND PERMITS

Companies that engage in providing television program production services in the PRC are required to possess the Permit for Production and Distribution of Radio and Television Program (廣播電視節目製作經營許可證) in accordance with relevant regulations in the PRC. Please see "Regulation" in this offering circular for details.

The table below sets out the key approvals, licenses, permits and certificates we obtained for our operations in the PRC:

Holder	License/Permit	Date of Issue	Date of Expiration	Issuing Authority
Jingxiu	VATS License	April 20,2023	April 20, 2028	Beijing Provincial Communications Administration
Jingxiu	VATS License	March 8, 2023	March 8, 2028	Ministry of Industry and Information Technology
Jingxiu	Permit for Production and Distribution of Radio and Television Program	September 13, 2024	September 13, 2026	Beijing Provincial Radio and Television Bureau
Jingxiu	AVSP License	September 15, 2024	September 15, 2027	State Administration of Radio and Television
Jingxiu	ICO License	March 25, 2024	March 24, 2027	Beijing Provincial Department of Culture and Tourism

Holder	License/Permit	Date of Issue	Date of Expiration	Issuing Authority
Shanghai Ruyi	Permit for Production and Distribution of Radio and Television Program	April 1, 2023	March 31, 2025 *note*	Shanghai Radio and Television Bureau
Shanghai Ruyi	Film Distribution and Operation License	February 24, 2023	February 23, 2025 *note*	National Film Bureau
Beijing Xiaoming	Permit for Production and Distribution of Radio and Television Program	April 19, 2023	April 19, 2025 *note*	Beijing Radio and Television Bureau
Beijing Xiaoming	VATS License	March 3, 2021	March 3, 2026	Ministry of Industry and Information Technology
Beijing Xiaoming	VATS License	March 4, 2021	March 4, 2026	Beijing Municipal Communications Administration
Beijing Xiaoming	Permit for Production and Distribution of Radio and Television Program	April 19, 2023	April 19, 2025	Beijing Radio and Television Bureau
Beijing Ruyi Film and Television Production Co., Ltd	Permit for Production and Distribution of Radio and Television Program	November 30, 2023	November 30, 2025	Beijing Radio and Television Bureau

Note: This permit has or will soon be recently expired and we are in the process of renewal.

As of the date of this offering circular, we have obtained all licenses, permits, approvals and certificates that are material for our business operations in the PRC, and such licenses, permits, approvals and certificates are valid and subsisting.

Certain third-party co-investors of our self-produced drama series have obtained the TV Series Production License (Class A) (電視劇製作許可證(甲種)), which is valid for two years and is applicable to all TV series produced by the holder of such license during the period. Pursuant to the applicable laws and regulations in the PRC, drama series producers that have produced six or more single-episode TV shows, or three or more TV series with more than three episodes per series for two consecutive years are eligible to apply for the TV Series Production License (Class A) (電視劇製作許可證(甲種)). Please see "Regulation" in this offering circular for details. We do not satisfy the criteria for the application for the TV Series Production License (Class A) (電視劇製作許可證(甲種)) in China. If we choose to apply for the TV Series Production License (Class B) (電視劇製作許可證(乙種)), the license will be granted by the relevant government authorities on a drama series-by-drama series basis and valid for only one year, and the process of obtaining such approval is time-consuming and uncertain. In addition, the distribution license of a drama series is generally required to be applied by the production license holder of such drama series, according to the requirements of the relevant government authorities. To streamline the drama series production and distribution process, we work with certain third-party co-investors of our certain self-produced drama series who have procured the relevant production and distribution licenses. These co-investors have entered into co-investment agreements with us confirming that the copyrights of such drama series either belonged to our Group entirely or partially (excluding the right of authorship, which may be jointly owned by our Group and the other co-investors). On December 6, 2024, the State Council promulgated the Administrative Regulations on Radio and Television (Revised in 2024), which came into effect on January 20, 2025. According to the Administrative Regulations on Radio and Television (Revised in 2024), regulatory authorities have gradually relaxed their supervision measures on TV series production. Companies can now be exempted from applying for a TV Series Production License when producing TV series. We are in compliance with the applicable PRC laws, regulations and rules relating to radio and television, and that our Group had not been subject to any administrative penalties or investigations from any regulatory authorities in respect of such activities.

AWARDS, RECOGNITION AND MEMBERSHIPS IN INDUSTRY ORGANIZATIONS

Our long-standing relationship with our major suppliers and customers and our commitment to providing excellent drama series and films and related services are evidenced by the honours awarded to us. The table below sets forth some of the major awards and accreditation the products of Ruyi Films have received.

Award/Accreditation	Award Year
"So Young" — The 50th Taiwan Film Golden Horse Award for Best Adapted Screenplay (《致我們終將逝去的青春》獲第50屆臺灣電影金馬獎最佳改編劇本獎)	2013
"So Young" — The 29th Golden Rooster Award for Best Director's Debut (《致我們終將逝去的青春》獲第29屆金雞獎最佳導演處女作)	2013
"So Young" — The 15th Huabiao Film Award for Outstanding Youth Film Creation (《致我們終將逝去的青春》獲第15屆華表獎優秀青年電影創作獎)	2013
"So Young" — The 15th Huabiao Film Award for Outstanding Newcomer Actress (《致我們終將逝去的青春》獲第15屆華表獎優秀新人女演員獎)	2013
"So Young" — The 33rd Hong Kong Film Award for Best Film from Mainland and Taiwan (《致我們終將逝去的青春》獲第33屆香港電影金像獎最佳兩岸華語電影)	2014
"So Young" — The 32nd Hundred Flowers Award for Best Director (《致我們終將逝去的青春》獲第32屆大眾電影百花獎最佳導演)	2014
"So Young" — The 32nd Hundred Flowers Award for Best Screenplay (《致我們終將逝去的青春》獲第32屆大眾電影百花獎最佳編劇)	2014
"All Quiet in Peking" — The 21st Shanghai TV Festival Magnolia Award for Best Chinese TV Drama (《北平無戰事》獲第21屆上海電視節白玉蘭獎最佳中國電視劇)	2015
"All Quiet in Peking" — The 21st Shanghai TV Festival Magnolia Award for Best Screenplay (《北平無戰事》獲第21屆上海電視節白玉蘭獎最佳編劇)	2015
"All Quiet in Peking" — The 17th Huading Award for National Audience's Favorite TV Series (《北平無戰事》獲第17屆華鼎獎全國觀眾最喜愛的電視劇)	2015
"All Quiet in Peking" — The 30th China TV Drama Flying Apsaras Award for "Major Themes" (《北平無戰事》獲第三十屆電視劇飛天獎"重大題材類作品獎")	2015
"Langya List" — The 30th China TV Drama Flying Apsaras Award for Excellent TV series (《琅琊榜》獲第30屆中國電視劇飛天獎優秀電視劇)	2015
"Miyue Biography" — The Second Place in China's Top 100 TV Dramas in the 19th Huading Awards (《芈月傳》獲第19屆華鼎獎中國百強電視劇滿意度調查百強榜第二名)	2016
"Miyue Biography" — The 19th Huading Award for Best Actor in a Chinese Ancient Costume TV Drama (《芈月傳》獲第19屆華鼎獎中國古裝題材電視劇最佳男演員)	2016
"Miyue Biography" — The 19th Huading Award for Best Producer of China's Top 100 TV Dramas (《芈月傳》獲第19屆華鼎獎中國百強電視劇最佳製片人)	2016
"Miyue Biography" — The 22nd Shanghai TV Festival Magnolia Award for Best Chinese TV Drama (《芈月傳》獲第22屆上海電視節白玉蘭獎最佳中國電視劇)	2016

Award/Accreditation	Award Year
"Miyue Biography" — The 22nd Shanghai TV Festival Magnolia Awards for Best Actress in a Leading Role and Best Actress in a Supporting Role (《芈月傳》獲第22屆上海電視節白玉蘭獎最佳女主角、最佳女配角)	2016
"Miyue Biography" — The 28th China TV Golden Eagle Award for Excellent TV Series (《芈月傳》獲第28屆中國電視金鷹獎優秀電視劇)	2016
"Miyue Biography" — The 28th China TV Golden Eagle Award for Best Director (《芈月傳》獲第28屆中國電視金鷹獎最佳導演獎)	2016
"Frontier of Love" — The 25th Shanghai TV Festival Magnolia Award for Best Original Screenplay (《愛情的邊疆》獲第25屆上海電視節白玉蘭獎最佳編劇(原創))	2019
"The Legendary Tavern" — The 30th China TV Golden Eagle Award for Excellent TV Series (《老酒館》獲第30屆中國電視金鷹獎優秀電視劇)	2020
"The Legendary Tavern" — The 26th Shanghai TV Festival Magnolia Award for Best Chinese TV Drama (《老酒館》獲第26屆上海電視節白玉蘭獎最佳中國電視劇)	2020
"The Legendary Tavern" — The 32nd China TV Drama Flying Apsaras Award for Excellent TV series (《老酒館》獲第32屆中國電視劇飛天獎優秀電視劇)	2020
"A Little Red Flower" — The 30th Huading Award for Best Supporting Actor and Best New Actor (《送你一朵小紅花》)獲第30屆華鼎獎最佳男配角、最佳新銳演員)	2021
"Hi, Mom" — The First Place in China Film Satisfaction Survey the 30th Huading Awards (《你好，李煥英》獲第30屆華鼎獎中國電影滿意度調查第一名)	2021
"Hi, Mom" — The 34th Golden Rooster Award for Best Actress in a Leading Role (《你好，李煥英》獲第34屆中國電影金雞獎最佳女主角獎)	2021
"Awakening Spring" — The 6th Pingyao Film Festival Awards for Best Director, Best Actress and Best Actor (《溫柔殼》獲第六屆平遙電影展最佳導演、最佳女演員及最佳男演員)	2023
"Upstream" — The 2024 Weibo Movie Night for Annual Attention Film Award (《逆行人生》獲2024微博電影之夜年度關注影片)	2024
"To the Wonder" — The Third Annual China TV Drama Ceremony for Outstanding TV Drama of the Year (《我的阿勒泰》獲第三屆中國電視劇年度盛典年度優秀電視劇)	2024
"To the Wonder" — The Third Annual China TV Drama Ceremony for Overseas Spreading Drama Series of the Year (《我的阿勒泰》獲第三屆中國電視劇年度盛典年度海外傳播大劇)	2024
"War of Faith" — The Third Annual China TV Drama Ceremony for Outstanding TV Drama of the Year (《追風者》獲第三屆中國電視劇年度盛典年度優秀電視劇)	2024
"War of Faith" — Beijing TV Literature and Art Innovation Award (《追風者》獲北京電視文藝創新推優獎)	2024

Our Chairman, Mr. Ke Liming, had also received the following award for his services in the drama series and films production and distribution industry.

Award/Accreditation	Award Year
The 30th Huading Award National Outstanding Film Producer of 2021 (2021年第三十屆華鼎獎全國優秀電影製片人)	2021

Benefiting from our continuous launch of high-quality games, as well as its profound understanding and layout of industry trends, we have won a number honors in the gaming industry. The table below sets forth some of the major gaming-related awards and accreditation we have received.

Award/Accreditation	Award Year
2024 Golden Gyro Excellent Game Enterprise Award (2024年度金陀螺優秀遊戲企業獎)	2024
Gold Plaque Internet Leading Enterprise of the Year (金口獎年度優秀公司)	2024
Gold Plaque Internet Leading Enterprise of the Year (金牌匾互聯網年度領軍企業)	2024
Xiaomi Best Game Developer Award (小米最佳遊戲開發者獎)	2024
"Civilization Mobile" — OPPO 2024 Best New Game of the Year (《世界啟元》獲OPPO 2024年度新遊獎)	2024
"Civilization Mobile" — Honor 2024 Best New Game (《世界啟元》獲榮耀2024年度最佳新遊)	2024
"Dafeng's Night Squad" — vivo 2024 Most Anticipated Game of the Year (《大奉打更人》獲vivo 2024年度最受期待遊戲獎)	2024
"Dafeng's Night Squad" — OPPO Gamers' Choice of the Year (《大奉打更人》獲OPPO年度玩家期待遊戲獎)	2024

We also hold memberships in certain industry organizations to keep up with the latest market developments. The table below sets forth the membership we hold in industry organizations as of the date of this offering circular.

Name of the Entity	Industry Organization	Membership Since
China Copyright Protection Center Top Ten Copyright Owners Partners (中國版權保護中心十大著作權人合作夥伴)	China Copyright Protection Center (中國版權保護中心)	2019

COMPETITION

We primarily compete with other market players on the service and content offerings, the size and engagement levels, the distribution capability, the understanding of customers' needs, the availability of financial resources, and the ability to respond quickly and effectively to evolving market trends. We believe our competitive strengths lie in our scripts sourcing, experienced production team, close and stable relationships with our customers, and advanced viewing technology, which together enable us to excel in the market. Please refer to the paragraph headed "— Competitive Strengths" in this section for further details. In addition, as the drama series and films market in China is highly fragmented, we believe that we have substantial growth potential to capitalize on the opportunities in the drama series and films market in China.

EMPLOYEES

As at December 31, 2024, we employed approximately 553 employees. In compliance with relevant PRC labour laws, we have entered into labour contracts with all of our full-time employees in China. We believe our success will depend in part on our ability to attract, recruit and retain quality employees. To maintain the quality, knowledge and skill levels of our workforce, we provide our employees with periodic training, including introductory training for new employees, technical training, professional and management training and health and safety training. We provide our sales and marketing team with extensive training.

We enter into confidentiality and non-competition agreements with certain employees. Pursuant to such agreements, we, at our sole discretion, may notify such employees in writing and in compliance with applicable labour laws and regulations, that they are prohibited from engaging in any competing activities during their employment with us, and for a specified time period after the end of their employment with us. We have maintained a good working relationship with our employees and have not experienced any significant labour dispute or any difficulty in recruiting staff for our operations

INSURANCE

We may be subject to compensation claims if there are injuries sustained by the filming crew, including artists engaged in our self-produced drama series during their production. Accordingly, we have taken out personal injury and medical insurance for the filming crew (including artists) of our self-produced drama series. Our Directors confirmed that, since 2020 and up to the date of this offering circular, there had not been any material claims against the Company for any serious accident which caused severe injuries to the production crew, including artists engaged in our self-produced drama series. In line with the general market practices, we do not maintain any business interruption insurance or general third-party liability insurance, which are not mandatory under the PRC laws. We also do not

maintain key-man life insurance, insurance policies covering damage to our network infrastructure or information technology systems, or any insurance policies for our properties. In addition, we do not maintain insurance policies against the risks relating to the contractual arrangements.

Since 2020 and up to the date of this offering circular, we did not make any material insurance claims in relation to our business. Please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business and Industry — We do not have any business insurance coverage" in this offering circular for the details.

LEGAL PROCEEDINGS

From time to time, we may initiate legal proceedings in order to protect our contractual and property rights. Our intellectual property is subject to theft and other unauthorised use, and our ability to protect our intellectual property is limited. In addition, we may be subject to claims that we have infringed the intellectual property rights of others, as well as other claims and litigation that may arise in the ordinary course of business. Moreover, our Directors, officers and senior management have been and may, from time to time, be involved in legal proceedings. See "Risk Factors — Risks Relating to Our Business — We may be subject to intellectual property infringement claims or other allegations, which could result in material damage to our reputation and brand, payment of substantial damages, penalties and fines, removal of relevant content from our platform or seeking license arrangements which may not be available on commercially reasonable terms." However, as of the date of this offering circular, we are not involved in any litigation which we believe could have a material adverse effect on our business, results of operations, financial condition or this offering of the Bonds. There are no material legal proceedings, regulatory inquiries or investigations pending or, to our best knowledge, threatened against us

RECENT DEVELOPMENT

Meanwhile, in 2024, we reached collaborations with Lightspeed Studios under Tencent Holdings and the renowned French game company Ubisoft Entertainment ("**Ubisoft**"), with an aim to develop and distribute a game named "Heroes of Might & Magic: Lordship Rivalry" (魔法門之英雄無敵：領主爭霸) based on Ubisoft's well-known IP, the "Heroes of Might & Magic" (魔法門之英雄無敵) series, which is scheduled to commence external commercial testing within 2025. On January 13, 2025, we also entered into an equity transfer agreement to acquire 30% equity interest in Beijing Yonghang Technology Company Limited ("**Beijing Yonghang**"). The core assets of Beijing Yonghang include the R&D assets of games in the PRC such as "QQ Dance" (QQ炫舞), "QQ Dance II" (QQ炫舞2) and "QQ Dance Mobile" (QQ炫舞手遊》. QQ Dance series are national classic game IPs with a history of over fifteen years, with music and dance as the core, providing a rich variety of dance modes, a massive pop music library and a powerful social system. Players can make friends, interact with each other, and show their personality in the game. Hundreds of millions of registered users have been accumulated in "QQ Dance", "QQ Dance II" and "QQ Dance Mobile", which makes them take a leading position in domestic music and dance games. The acquisition supplemented our strategic operation experience in the gaming sector, thereby assisting us in continuously deepening its gaming business, and further enhancing the overall competitiveness and market influence of our gaming business. We plan to fully leverage our resource advantages in the film and television field, by utilizing our rich star resources and theater-chain resources to facilitate game promotion. At the same time, as a leading domestic film and television production company with a full-industrial-chain layout, we plan to jointly explore the film-game model with Beijing Yonghang, striving to build "QQ Dance" (QQ炫舞) into a globally renowned comprehensive entertainment IP, in a bid to maximize the IP value, and drive innovative breakthroughs and growth of the business.

Looking ahead, we have maintained a robust portfolio of pipeline projects. On one hand, we remain dedicated to SLG genre. In addition to the launch of "Legends of the Wild" (荒野國度) on February 27, 2025, we have three pipeline projects including "Age of Stellarian" (群星紀元), "Yanwu" (偃武), and "The War of Dragon Stones" (龍石戰爭). On the other hand, we are strengthening our IP adaptation capabilities by integrating sports, anime (2D culture), and historical themes. We have secured partnerships for two games licensed by the National Basketball Association (NBA) and are developing a game based on the popular Korean IP "Cookie Run" (餅乾人). Simultaneously, we also have two games adapted from novels in its reserve. One of them is a martial arts-themed open-world MMO, "Dafeng's Night Squad" (大奉打更人), and the other is based on the metaphysical novel "Beastmaster of the Ages" (萬古第一神).

REGULATION

Our business activities are principally based in the PRC. We are therefore required to comply with a number of PRC laws and regulations to carry out our operating activities. This section sets out a summary of the main laws, regulations applicable to our business in PRC.

REGULATIONS RELATING TO FOREIGN INVESTMENT IN THE PRC

Investment Industrial Policy

Investments activities in China by foreign investors are principally governed by the Catalogue for the Encouragement of Foreign Investment Industries (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》) (the "Catalogue") and the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Edition) (《外商投資準入特別管理措施(負面清單)(2024年版)》) (the "2024 Negative List"), which were both promulgated by the MOFCOM and the NDRC and each became effective on January 1, 2023 and November 1, 2024 and together with the PRC Foreign Investment Law and their respective implementation rules and ancillary regulations. The Catalogue and the 2024 Negative List set forth the industries in which foreign investments are encouraged, restricted and prohibited. Industries that are not listed in any of these three categories are generally open to foreign investment unless otherwise specifically restricted by other PRC rules and regulations.

According to the 2024 Negative List, the foreign equity interests ownership of entities that engage in value-added telecommunications business (except for e-commerce, domestic multi-party communication, storage and forwarding and call center) shall not exceed 50%. In addition, foreign investments in the internet cultural business (except for music), the internet audio-visual program business, the radio and television program production and operation business, the production of audio-visual products and/or electronic publications and film production and distribution business are prohibited.

Foreign Investment Law and its Implementation Measures

On March 15, 2019, the National People's Congress approved the PRC Foreign Investment Law (《中華人民共和國外商投資法》), which became effective on January 1, 2020. The Foreign Investment Law replaced the major laws and regulations governing foreign investment in China and establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in companies operating in the PRC in view of investor protection and fair competition. On December 26, 2019, the State Council promulgated the Regulation on Implementing the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which became effective on January 1, 2020. The Implementation Rules further clarified that the government encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment and advances a higher-level opening.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation of the PRC, or the SAMR, jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the Measures on Reporting of Foreign Investment Information, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

The PRC Telecommunications Regulations (《中華人民共和國電信條例》), promulgated by the State Council on September 25, 2000 and last amended with immediate effect on February 6, 2016, provides the regulatory framework for telecommunications service providers in China. The PRC Telecommunications Regulations classifies telecommunications services into basic telecommunications services and value-added telecommunications services. Providers of value-added telecommunications services are required to obtain a license for value-added telecommunications services. According to the Catalog of Telecommunications Services (《電信業務分類目錄》), attached to the PRC Telecommunications Regulations and last amended by the MIIT, on June 6, 2019, information services provided via public communication network or the internet are value added telecommunications services.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the "Internet Information Services Measures"), which was promulgated by the State Council on September 25, 2000, and amended on January 8, 2011 and January 20, 2024, set out guidelines on the provision of internet information services. According to the Internet Information Services Measures, the internet information services is classified into commercial internet information services and non-commercial internet information services; a commercial operator of internet content provision services must obtain a VATS license (增值電信業務經營許可證) for the provision of internet information services from the appropriate telecommunications authorities. The Administrative Measures for the Licensing of Telecommunications Services (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on March 1, 2009, amended on July 3, 2017, and became effective on September 1, 2017, further regulates the telecommunications business permits.

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), promulgated by the State Council on December 11, 2001, last amended on March 29, 2022 and will become effective on May 1, 2022, requires foreign-invested value-added telecommunications enterprises in the PRC to be established as Sino-foreign joint ventures, and foreign investors shall nor acquire more than 50% of the equity interest of such an enterprise.

REGULATIONS RELATING TO INTERNET CULTURAL ACTIVITIES

On May 10, 2003, the Ministry of Culture, or the MOC (which is currently known as the Ministry of Culture and Tourism of the PRC, or the MCT), promulgated the Provisional Measures on Administration of Internet Culture (《互聯網文化管理暫行規定》) (the "Internet Culture Provisions"), effective on July 1, 2003, and last amended on December 15, 2017, to regulate entities that engage in activities related to internet cultural products. Under the Internet Culture Provisions, internet culture activities are classified into non-commercial internet cultural activities and commercial internet cultural entities. Internet culture activities include: (i) the production, reproduction, importation, distribution, or streaming of internet culture products (such as online music, online game, online program, online series, online performance, online cartoon, etc.); (ii) the dissemination of culture products via internet; and (iii) the exhibitions, competitions, and other similar activities concerning internet culture products. To conduct commercial internet culture activities, the ICO License (網絡文化經營許可證) is a prerequisite.

On August 12, 2013, the MOC issued the Administrative Measures for Content Self-Review by Internet Culture Business Entities (《網絡文化經營單位內容自審管理辦法》), which became effective on December 1, 2013, requiring the entities that engage in the internet cultural business to review the content of products and services to be provided before providing such content and services to the public. These entities shall establish content management system, set up departments for content management and employ proper personnel to ensure the legality of content. The content management system of an internet cultural business entity is required to specify the responsibilities, standards and processes for content review as well as accountability measures, and is required be filed with the provincial level counterpart of the MOC.

REGULATIONS RELATED TO INTERNET AUDIO-VISUAL PROGRAM SERVICES

According to the Administrative Regulations on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》) (the "Audio-Visual Regulations"), promulgated by the State Administration of Radio, Film and Television of the PRC, or the SARFT (which is currently known as the National Radio and Television Administration, or the NRTA) and the Ministry of Information Industry, or the MII on December 20, 2007, and became effective on January 31, 2008, as amended on August 28, 2015, and became effective on the same day, internet audio-visual program service refers to the activities of making, editing and integrating audio-visual programs, providing them to the general public via internet, and providing audio-visual programs uploading and transmission services. An internet audio-visual program service provider shall obtain a License for Spreading Audio-Visual Programs via Information Network (信息網絡傳播視聽節目許可證) issued by the SARFT or complete certain record-filling procedures with the SARFT.

Pursuant to the Audio-Visual Regulations, providers of internet audio-visual program services are generally required to be either state-owned or state-controlled. According to the Official Answers to Press Questions Regarding the Internet Audio-Visual Program Regulations (《就〈互聯網視聽節目服務管理規定〉答記者問》) published on the SARFT's website on February 3, 2008, the SARFT and MII clarified that the providers of internet audio-visual program services who had legally engaged in such services prior to the adoption of the Audio-visual Regulations shall be eligible to re-register their businesses and continue their operations of internet audio-visual program services so long as those providers have not been in violation of the laws and regulations. This exemption will not be granted to internet audio-visual program service providers established after the adoption of the Audio-Visual Regulations. These policies have later been reflected in the Notice on Relevant Issues Concerning Application and Approval of License for Spreading Audio-Visual Programs via Information Network (《關於做好〈信息網絡傳播視聽節目許可證〉申報審核工作有關問題的通知》), issued by SARFT on May 21, 2008, and amended on August 28, 2015.

On March 30, 2009, the SARFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs (《關於加強互聯網視聽節目內容管理的通知》), which reiterates the pre-approval from the broadcasting, film and television administrative departments requirements for the domestic and overseas films and television shows disseminating on the internet, including those on mobile networks (if applicable), and prohibits those internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other prohibited elements. The SARFT and the Cyberspace Administration of China, or the CAC, issued the Notice on Further Strengthening the Administration of Online Audio-Visual Content Including Internet Drama and Micro Films (《關於進一步加強網絡劇、微電影等網絡視聽節目管理的通知》) on July 6, 2012, pursuant to which, internet audio-visual programs service institutions shall report the information on self-examined and approved internet series, micro films, internet movies, film and television animation, documentaries and other internet audio-visual programs to the provincial authority of film and television administration for record-filing, such information includes but not limited to the program's title, content summary and the information of the reviewer. The State Administration of Press, Publication, Radio, Film and Television, or the SAPPRFT (which has now been merged into the NRTA) further issued the Supplemental Notice on Improving the Administration of Online Audio-Visual Content Including Internet Drama and Micro Films (《關於進一步完善網絡劇、微電影等網絡視聽節目管理的補充通知》) on January 2, 2014. This notice stresses that any entity producing online audio-visual content, such as internet drama and micro films, must obtain a Permit for Production and Distribution of Radio and Television Programs (廣播電視節目製作經營許可證), and that online audio-visual content service providers shall not release any internet drama or micro films produced by any entity without such license. For internet drama or micro films produced and uploaded by individual users, the online audio-visual service providers transmitting such content will be deemed to take responsibility as the producer. Furthermore, under this notice, online audio-visual service providers can only transmit content uploaded

by an individual whose identity has been verified and such content shall comply with the relevant content management rules. This notice also requires that self-examined and transmitted online audio-visual program, including internet drama and micro films, to be filed with the relevant authorities before release.

According to the Administrative Provisions on Online Audio-visual Information Services (《網絡音視頻信息服務管理規定》), jointly promulgated by the CAC, the MCT and the NRTA on November 18, 2019, and became effective on January 1, 2020, online audio-visual information service providers shall authenticate users' real identity information based on organization code, identity card number and mobile phone number, etc. Online audio-visual information service providers shall not serve users who fail to provide their real identity information. Online audio-visual information service providers shall strengthen the management of the audio-visual information posted by users, and deploy and apply identification technologies for illegal and non-real audio and video. If any user is found to produce, post or disseminate content prohibited by laws or regulations, the transmission of such information shall be ceased, and disposal measures such as deletion shall be taken to prevent the information from spreading, and such service providers shall retain records, and report to the CAC, the MCT, the NRTA, etc.

REGULATIONS RELATED TO PRODUCTION OF RADIO AND TELEVISION PROGRAMS

According to the Administrative Regulations on Radio and Television (Revised in 2024) (《廣播電視管理條例》(2024年修訂)) promulgated by the State Council on August 11, 1997 and was last revised on December 6, 2024 and became effective on January 20, 2025, radio and television programmes shall be made by radio stations, TV stations, radio and television programmes production and distribution institutions whose establishment has been approved by the departments of radio and television administration at or above the provincial level governments. Radio station or TV station shall not broadcast programmes produced by institutions without the licenses for radio and television program production and distribution.

On July 19, 2004, the SARFT promulgated the Regulations on the Administration of Production of Radio and Television Programs (《廣播電視節目製作經營管理規定》) (the "Radio and TV Programs Regulations"), as most recently amended on October 29, 2020. Under the Radio and TV Programs Regulations, any entities that engage in the production of radio and television programs are required to apply for a Permit for Production and Distribution of Radio and Television Programs (廣播電視節目製作經營許可證) from the NRTA or its provincial level counterparts. Entities shall conduct their business within the permitted scope as provided in their licenses. Entities with the License for Production and Operation of Radio and Television Programs shall conduct their operations strictly in compliance with the approved scope of production and operation. Other than radio and TV stations, entities shall not produce radio and TV programs about the current political news or similar subjects and columns. The TV series producers shall obtain either a TV Series Production Licence (Class A) (電視劇製作許可證(甲種)) or a TV Series Production Licence (Class B) (電視劇製作許可證(乙種)) before the shooting and production of TV series. TV Series Production Licence (Class B), issued by the administrative department of radio and television at or above province level, only applies to the television play it indicates with the validity within one year and may be extended appropriately when approved by the license issuing authority under exceptional circumstance. Applicants that have produced six or more single-episode TV shows or three or more TV series (three episodes or more per series) for two consecutive years may apply to the NRTA for TV Series Production Licence (Class A), which has an effective term of two years and may apply to all TV series produced by the holder during the effective term. In addition, according to the Administrative Regulations on Radio and Television (Revised in 2024), regulatory authorities have gradually relaxed their supervision measures on TV series production. Companies can now be exempted from applying for a TV Series Production License when producing TV series. Radio and television broadcasting institutions shall not broadcast television series produced by

institutions without the Operation Permit or the relevant distribution license. For violations against the aforesaid provisions, the penalty provisions of the Administrative Regulations on Radio and Television (《廣播電視管理條例》) shall be applied *mutatis mutandis*.

On April 29, 2022, NRTA issued the Notice of the General Office of the SARFT on Matters Relating to the Management of Licensing Services for the Distribution of Chinese made Web Series (《國家廣播電視總局辦公廳關於國產網絡劇片發行許可服務管理有關事項的通知》), which requires the implementation of a licensing system for the distribution of Chinese-made web series. Web series, web micro-short series, web films and web animated films which meet one or more of the following conditions shall obtain the web series distribution license issued by the competent radio and television authorities under the law: (1) where the investment amount is large, and the specific amount shall be adjusted and notified by the competent radio and television authorities under the State Council in accordance with the actual development and management of the web audio-visual industry; (2) where the web audio-visual program service providers are the main promoters of investment; (3) those recommended for broadcast on the front page of websites (clients), in special sections or special columns; (4) those offering priority viewing to members or providing paid viewing services; and (5) those voluntarily filed by web series production and distribution entities in accordance as the key web series. When a key Chinese-made web series or film is broadcast online, it should use a unified logo, accurately marked with the program distribution license number, and fixed in a prominent position in the program titles for display. A Chinese-made series or film broadcast on the Internet should possess a TV series distribution license issued by the competent radio and television authorities and comply with the relevant national regulations on radio and television programs and audio-visual programs on the Internet. This Notice has been implemented since June 1, 2022.

REGULATIONS RELATED TO FILING AND DISTRIBUTION OF FILMS

Pursuant to Film Industry Promotion Law of the PRC (《中華人民共和國電影產業促進法》), which was promulgated by the SCNPC on November 7, 2016, and came into effect on March 1, 2017, a legal person or any other organization that intends to produce a film shall file the synopsis of the film script for the record with the film authority under the State Council or the film department of the provincial level government, and the script of a film involving any major theme or any materials relating to national security, diplomacy, ethnicity, religion, military, and other matters shall be submitted for review and approval as required by relevant regulations of the PRC. Once finished producing, the film shall be submitted to the abovementioned film administration for examination and apply for the Licence for Public Screening of Films (電影片公映許可證). A film without the Licence for Public Screening of Films shall not be distributed, projected, spread through information networks such as the Internet, telecom networks and broadcast networks or produced as any audio-visual product.

Pursuant to the Regulations on the Administration of Films (2001) (《電影管理條例 (2001)》), or the Film Administration Regulations, which was promulgated by the State Council on December 25, 2001, and came into effect on February 1, 2002, companies engaged in the film distribution business shall meet certain requirements and obtain approval before operating in the film distribution business. A film distribution unit shall apply to the NRTA or the provincial competent department (as the case may be) for a film distribution and operation license (電影發行經營許可證). The Film Administration Regulations also stipulate that the film distribution and operation license shall be subject to annual review. When a film distribution unit changes its business scope, merges with other film distribution companies, or establishes a new film distribution company due to merger or division, it shall go through the approval procedures with the competent film department of the government in accordance with the Film Administration Regulations. The PRC implements a film censorship system. The Film Administration Regulations also stipulate that films that have not been examined by the competent examination authority shall not be distributed, screened, imported or exported. After passing the examination, the examination authority shall issue a Permit for Public Screening of Film.

Pursuant to Regulations for Administration of the Record-filing Script (Outline) and Films (《電影劇本(梗概)備案、電影片管理規定》), which was promulgated by the NRTA on May 22, 2006 and came into effect on June 22, 2006, and was revised on December 11, 2017, the PRC applies the system of script (outline) record-filing and films examination. A script (outline) that has not been put into records shall not be shot into a film, and a film that has not passed the examination shall not be released, shown, imported and exported.

In addition, foreign investment in film production companies, distribution companies are prohibited pursuant to the 2024 Negative List.

REGULATIONS RELATED TO ONLINE GAMES

Regulatory Authorities

Pursuant to the Notice on Issuing the Provisions on the Main Functions, Internal Bodies and Staffing of the General Administration of Press and Publication (National Copyright Administration) (《關於印發〈國家新聞出版總署(國家版權局)主要職責內設機構和人員編製規定〉的通知》) promulgated by the General Office of the State Council on July 11, 2008, the Notice of the State Commission Office for Public Sector Reform on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation and Comics, Online Game and Comprehensive Law Enforcement in Culture Market in the Three Provisions jointly promulgated by the MOC, SARFT and the General Administration of Press and Publications, or the GAPP (《中央機構編製委員會辦公室關於印發《中央編辦對文化部、廣電總局、新聞出版總署〈"三定"規定〉中有關動漫、 網絡遊戲和文化市場綜合執法的部分條文的解釋》的通知》) on September 7, 2009, the Notice on Issuing the Provisions on the Main Functions, Internal Bodies and Staffing of the State Administration of Press, Publication, Radio, Film and Television promulgated by the General Office of the State Council (《關於印發〈國家新聞出版廣電總局主要職責內設機構和人員編制規定〉的通知》) on July 11, 2013, and the Administrative Measures on Internet Publishing Services (《網絡出版服務管理規定》) promulgated by the SAPPRFT and the MIIT on February 4, 2016 and took effective on March 10, 2016, the administration of anime and online game shall be conducted by the MOC, and the GAPP is responsible for the examination and approval process of online games prior to online publication. The SAPPRFT is responsible for the approval of game registration and issuance of game publication numbers, after the online games uploaded on the internet, online games will be administered by the MCT. Moreover, if an online game is launched on the internet without the prior approval of the GAPP, the MCT will be responsible for guiding the cultural market law enforcement team to conduct investigation and punishment. In March 2013, the SAPPRFT formed based on the Notice on the Institutional Reform issued by the State Council.

In March 2018, the Central Committee of the Communist Party of China issued the Plan for Deepening the Institutional Reform of the Party and State (《深化黨和國家機構改革方案》) and the National People's Congress promulgated the Decision of the First Session of the Thirteenth National People's Congress on the State Council Institutional Reform Proposal (《第十三屆全國人民代表大會第一次會議關於國務院機構改革方案的決定》) (collectively, the "Institutional Reform Plans"). According to the Institutional Reform Plans, effective from March 21, 2018, the SAPPRFT was reformed and now known as the NRTA under the State Council, and the responsibility of the SAPPRFT for administration of news, publication and films, such as the approval of online game registrations and issuance of game publication numbers has been transferred to the National Press and Publication Administration, or the NPPA, under the Propaganda Department of the Central Committee of the Communist Party of China. The NPPA at the national level suspended approval of game registration and issuance of publication numbers for online games since March 2018 and resumed to issue game publication numbers by batches periodically since December 2018, according to certain news reports. Beginning in December 2018, the NPPA at the national level started to approve new online games.

On May 14, 2019, the MCT promulgated the Notice on Adjusting the Scope of Examination and Approval regarding the Internet Culture Operation License to Further Regulate the Approval Work (《關於調整〈網絡文化經營許可證〉審批範圍進一步規範審批工作的通知》), which quotes the Regulations on the Function Configuration, Internal Institutions and Staffing of the MCT (《文化和旅遊部職能配置、內設機構和人員編制規定》) (the "Function Configuration Regulations"), effective from July 30, 2018, and further specifies that the MCT no longer assumes the responsibility for administering the industry of online games. On July 10, 2019, the MCT issued the Abolition Decisions on the Interim Administrative Measures for the Administration of Online Games and the Administrative Measures for Tourism Development Plan (《關於廢止〈網絡遊戲管理暫行辦法〉和〈旅遊發展規劃管理辦法〉的決定》) (the "Abolition Decision"). The Abolition Decision also cites the Function Configuration Regulations and further abolishes the Interim Measures for the Administration of Online Games (《網絡遊戲管理暫行辦法》) (the "Online Game Measures"), which means that the MCT will no longer regulate the industry of online games. As of the date of this offering circular, no laws, regulations or official guidelines have been promulgated regarding whether the responsibility of MCT for regulating online games will be undertaken by another governmental department.

Online Game Publication

According to the Internet Publishing Measures, before publishing an online game, an online publishing service provider shall file an application with the competent provincial-level publishing administrative department where it is located, and the application, if reviewed and approved, shall be submitted to the NPPA for approval. The Notice of the General Office of the General Administration of Press, Publication, Radio, Film and Television on the Administration of Mobile Game Publishing Services (《國家新聞出版廣電總局辦公廳關於移動遊戲出版服務管理的通知》), which was issued on May 24, 2016, and took effect on July 1, 2016, provides that game publishing services providers shall be responsible for examining the contents of their games and applying for game publication numbers (遊戲出版物號), and for the purpose of this notice, the online game publishing services providers refer to online publishing service entities that have obtained the Internet Publishing Service License with game publishing business included in their scope of business.

Online Game Operations

The Online Game Measures that was issued by the MOC on June 3, 2010, and last amended on December 15, 2017, comprehensively regulate the activities related to online game business, including the research and development and production of online games, the operation of online games, the standards for online games content, the issuance of virtual currencies used for online games and virtual currency trading services. The Online Game Measures provides that any entity engaging in online game operations must obtain an ICO License (網絡文化經營許可證), and the content of an imported online game must be examined and approved by the MCT prior to its launch. Domestically developed online games must be filed with the MCT within 30 days of its launch. The Online Game Measures also requires online game operators to protect the interests of the online game players and specified certain terms that must be included in the service agreements between online game operators and its online game players. The Notice of the MOC on the Implementation of the Interim Measures for the Administration of Online Games (《文化部關於貫徹實施〈網絡遊戲管理暫行辦法〉的通知》), which took effect on August 1, 2010, specifies the entities regulated by the Online Game Measures and procedures related to the MCT's review of the content of online games, and emphasizes the protection of minors playing online games and requests online game operators to promote real-name registration by their game players.

On July 10, 2019, the MCT issued the Abolition Decision, which specifies that the Online Game Measures was abolished by the MCT on July 10, 2019. On August 19, 2019, the MCT issued the Announcement on Results of Regulatory Documents Clean-up (《文化和旅遊部關於行政規範性檔清理結果的公告》), which specifies that the Notice of the MOC on the Implementation of the Online Game was abolished.

Virtual Currency and Virtual Items

On February 15, 2007, the Notice on Further Strengthening Administration of Internet Cafes and Online Games (《關於進一步加強網吧和網絡遊戲管理工作的通知》) (the "Online Games Notice") was jointly issued by the MOC, the People's Bank of China and other governmental authorities with the goal of strengthening the administration of virtual currency in online games and to avoid any adverse impact on the PRC economy and financial system. The Online Games Notice imposes strict limits on the total amount of virtual currency issued by online game operators and the amount purchased by individual players and requires a clear division between virtual transactions and real transactions carried out by way of electronic commerce. The Online Games Notice further provides that virtual currency must only be used to purchase virtual items and prohibits any resale of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued the Notice on Strengthening Administration of Virtual Currency of Online Games (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the "Virtual Currency Notice"). According to the Virtual Currency Notice, it defines the meaning of the term "virtual currency" and places a set of restrictions on the trading and issuance of virtual currency. The Virtual Currency Notice also states that online game operators are also not allowed to give out virtual items or virtual currency through lottery-base activities, such as lucky draws, betting or random computer sampling, in exchange for players' cash or virtual money.

According to the Notice on Regulating the Operations of Online Games and Strengthening Interim and Ex Post Regulation (《關於規範網絡遊戲運營加強事中事後監管工作的通知》) promulgated by the MOC on December 1, 2016, and effective as of May 1, 2017, the virtual items, purchased by users directly with legal currency, by using the virtual currencies of online games or by exchanging the virtual currencies of online games according to a certain percentage and enabling users to directly exchange for other virtual items or value-added service functions in online games, shall be regulated pursuant to the provisions on virtual currencies of online games. Online game operators shall not provide users with services to exchange virtual currencies into legal currency or physical items. Where it provides users with the option to exchange virtual currencies into physical items of minor value, the contents and value of such physical items shall be in compliance with relevant laws and regulations of the State. However, this notice has been abolished by the MCT as of August 19, 2019.

Anti-addiction System and Protection of Minors

In April 2007, the GAPP and several other government agencies issued a circular requiring the implementation of an anti-fatigue system and a real-name registration system by all PRC online game operators to curb addictive online game playing by minors. To identify whether a game player is a minor and thus subject to the anti-fatigue system, a real-name registration system must be adopted to require online game players to register with their real identity information before playing online games. The online game operators are also required to submit the identity information of game players to the public security authority for verification.

On October 25, 2019, the NPPA issued the Notice on Preventing Minors from Indulging in Online Games (《關於防止未成年人沉迷網絡遊戲的通知》) which took effect on November 1, 2019. The Notice stipulates several requirements on the online game operation, including but not limited to: (i) all online game users shall register their game accounts with valid identity information; (ii) the time slot and duration for playing online games by minors shall be strictly controlled; (iii) the provision of paid

services to minors shall be regulated; (iv) the regulation of the industry shall be enhanced and the requirements above shall be requisite for launching, publishing and operating online games; and (v) the development and implementation of an age-appropriate reminding system shall be explored. Online game companies shall analyze the cause of minors' addiction to games, and alter the content and features of games or game rules resulting in such addiction.

On April 26, 2024, the SCNPC revised and promulgated the Law of the PRC on the Protection of Minors (2024 Revision) (《中華人民共和國未成年人保護法(2024修訂)》), which became effective on April 26, 2024. Added new section entitled "Online Protections" which stipulates a series of provisions to further protect minors' interests on the internet, among others, (i) online product and service providers are prohibited from providing minors with products and services that would induce minors to indulge, (ii) online service providers for products and services such as online games, live broadcasting, audio-video, and social networking are required to establish special management systems of user duration, access authority and consumption for minors, (iii) online games service providers must request minors to register and log into online games with their valid identity information, (iv) online games service providers must categorize games according to relevant rules and standards, notify users about the appropriate ages for the players of the games, and take technical measures to keep minors from accessing inappropriate online games functions, and (v) online games service providers may not provide online games services to minors from 10:00 P.M. to 8:00 A.M. the next day.

On August 30, 2021, the GAPP issued the Notice on Further Preventing Minors from Indulging in Online Games (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which became effective on September 1, 2021. The Notice on Further Preventing Minors from Indulging in Online Games imposes stricter time limits for playing online games by minors and provides that online game operators may only provide online game services to minors on every Friday, Saturday, Sunday or PRC statutory holiday for one hour per day from 8:00 p.m. to 9:00 p.m. In addition, the Notice on Further Preventing Minors from Indulging in Online Games requires that all the online games must be connected to the real-name registration and game addiction prevention system of the GAPP, all the online game players must register or login in using authentic and valid identity information, and online game operators may not provide game services, in any manner (including in visitor experience mode), to any users who have not registered using their real names.

On October 16, 2023, the State Council promulgated the Regulations on the Protection of Minors in Cyberspace (《未成年人網絡保護條例》), which became effective on January 1, 2024. The Regulation set forth provisions on regulating online content, protecting personal information, and preventing internet addiction. The Regulation also clarify the protection obligations of online product and service providers, personal information processors, and manufacturers and sellers of smart terminal products.

REGULATIONS RELATED TO INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

Internet Information Security

The Decision Regarding the Safeguarding of Internet Security (《關於維護互聯網安全的決定》), enacted by the SCNPC on December 28, 2000, and amended with immediate effect on August 27, 2009, makes it unlawful to, including but not limited to: (i) gain improper entry into a computer information system of national affairs, national defense or cutting-edge science and technology; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights.

On December 13, 2005, the Ministry of Public Security promulgated the Provisions on Technical Measures for the Internet Security Protection (《互聯網安全保護技術措施規定》), which became effective on March 1, 2006. It provides that internet service providers to take proper measures including

anti-virus, data back-up, keeping records of certain information such as the login-in and exit time of uses, and other related measures, and to keep records of certain information about their users for at least 60 days, and detect illegal information.

On July 1, 2015, the SCNPC issued the National Security Law (《國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cyber security development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), or the Cyber Security Law, which became effective on June 1, 2017 and applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. The Cyber Security Law defines "network" as a system comprising computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with specific rules and procedures. No individual or organization may engage in activities that threaten cybersecurity such as unlawful intrusion into others' networks, interfering with the normal functions of others' network and stealing network data, provide programs or tools for such intrusions, interference or stealing, or provide any assistance such as technical support, advertisement, payment or settlement for any other person if the individual or organization is fully aware that such person engages in an activity endangering cybersecurity.

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》), or the Data Security Law, which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility.

Along with the promulgation of the July 6, Opinion, overseas-listed China-based companies are experiencing a heightened scrutiny over their compliance with laws and regulations regarding data security, cross-border data flow and management of confidential information from PRC regulatory authorities. Such laws and regulations are expected to undergo further changes, which may require increased information security responsibilities and stronger cross-border information management mechanism and process.

On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Cybersecurity Review Measures, which became effective on February 15, 2022. The Measures for Cybersecurity Review (《網絡安全審查辦法》) which took effective on June 1, 2020 will be abolished at the same time. The Cybersecurity Review Measures provides that, among others, (i) the purchase of cyber products and services by critical information infrastructure operators (the "CIIOs") and the network platform operators (the "Network Platform Operators") which engage in data processing activities that affects or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; and (ii) the Network Platform Operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office.

On July 7, 2022, the CAC has promulgated the Measures for the Security Assessment of Cross-border Data Transfer (the "**Measures**") (《數據出境安全評估辦法》), which became effective on September 1, 2022. The Measure requires that any data processor providing important data collected and generated during operations within the territory of the PRC or personal information that should be subject to security assessment according to law to an overseas recipient shall conduct security assessment. The Measures provides four circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of cross-border data transfer. These circumstances include: (1) data processors provide overseas parties with important data; (2) personal information provided outside China by the operators of critical information infrastructure or the personal information processors who process personal information of up to one million individuals; (3) personal information provided outside China by the personal information processors who has provided outside China with personal information of 100,000 individuals or the sensitive personal information of 10,000 individuals cumulatively since January 1 of the previous year; or (4) other situation needed to be declared in the security assessment of an outbound data transfer by the CAC.

Privacy Protection

Pursuant to the Decisions on Strengthening the Protection of Online information (《關於加強網絡信息保護的決定》), promulgated by the SCNPC in 2012 and the Protection Provisions for the Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》) promulgated by the MIIT in 2013, telecommunication business operators and internet service providers are required to set up their own rules for collecting and use of internet users' information and are prohibited from collecting or using such information without consent from users. Moreover, telecommunication business operators and internet service providers shall strictly keep users' personal information confidential and shall not divulge, tamper with, damage, sell or illegally provide others with such information.

On February 4, 2015, the CAC promulgated the Provisions on the Administrative of Account Names of Internet Users (《互聯網用戶帳號名稱管理規定》), which became effective as of March 1, 2015, setting forth the authentication requirement for the real identity of internet users by requiring users to provide their real names during the registration process. In addition, these provisions specify that internet information service providers are required by these provisions to accept public supervision, and promptly remove illegal and malicious information in account names, photos, self-introductions and other registration-related information reported by the public in a timely manner.

On August 29, 2015, the SCNPC promulgated the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), which became effective on November 1, 2015, any internet service provider that fails to fulfill its obligations related to internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty.

On August 22, 2019, the CAC promulgated the Regulation on Cyber Protection of Children's Personal Information (《兒童個人信息網絡保護規定》), effective on October 1, 2019, which requires, among others, that internet operators who collect, store, use, transfer and disclose personal information of children under the age of 14 shall establish special policies and user agreements for the protection of children's personal information, inform the children's guardians in a noticeable and clear manner, and shall obtain the consent of the children's guardians.

On April 26, 2024, the SCNPC promulgated the Law of the PRC on the Protection of Minors (2024 Revision) (《中華人民共和國未成年人保護法(2024修訂)》), which became effective on April 26, 2024, which specifies stringent requirements for the protection of minors' information.

On July 16, 2013, the MIIT promulgated the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》). Most requirements under the order that are relevant to internet content provision operators are consistent with pre-existing requirements but the requirements under the order are often more stringent and have a wider scope. If an internet content provision operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, it must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. Internet content provision operators are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential, and take technological and other measures to maintain the security of such information. Internet content provision operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the "PIPL"), which became effective on November 1, 2021. The PIPL specifically specified the rules for handling sensitive personal information, which means personal information that, once leaked or illegally used, may easily cause harm to the dignity of natural persons or grave harm to personal or property security, including information on biometric characteristics, financial accounts, individual location tracking, etc., as well as the personal information of minors under the age of 14. Personal information handlers shall bear responsibility for their personal information handling activities, and adopt the necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered to correct or suspend or terminate the provision of services, confiscation of illegal income, fines or other penalties.

On September 24, 2024, the Cyberspace Administration of China (the "**CAC**") promulgated the Cyber Data Security Regulations (the "**Data Security Regulations**") (《網絡數據安全管理條例》), which came into effect on January 1, 2025. Data Security Regulations reiterate and refine the general regulations for cyber data processing activities, rules of personal information protection, important data security protection, cyber data cross-border transfer management, and the responsibilities of online platform service providers.

Mobile Internet Application Information Services

On June 28, 2016, the CAC promulgated the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程式信息服務管理規定》), which became effective on August 1, 2016, providing that mobile Internet application providers are prohibited from engaging in any activity that may endanger national security, disturb social order or infringe the legal rights of third parties, and may not produce, copy, release or disseminate through mobile Internet applications any content prohibited by laws and regulations. On June 14, 2022, the CAC released the new Administrative Provisions on Mobile Internet Applications Information Services, which replaced the original Provisions and strengthened the management of apps and app distribution platforms.

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, or the OCCAC, the MIIT and the Ministry of Public Security, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages app operators to conduct security certifications and encourages search engines and app stores to clearly mark and recommend those certified apps.

On November 28, 2019, the CAC, MIIT, the Ministry of Public Security and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》), which lists six types of illegal collection and usage of personal information, including "not publishing rules on the collection and usage of personal information" and "not providing privacy rules."

On July 22, 2020, the MIIT issued the Notice on the Further Special Rectification of App Infringing upon Users' Personal Rights and Interests (《關於開展縱深推進App侵害用戶權益專項整治行動的通知》) (the "Further Rectification Notice"), requires that certain conducts of app service providers shall be inspected, including, among others, (i) collecting or using personal information without the user's consent, collecting or using personal information beyond the necessary scope of providing services, and forcing users to receive advertisements; (ii) requesting user's permission in a compulsory and frequent manner, or frequently launching third parties apps; and (iii) deceiving and misleading users into downloading apps or providing personal information. The Further Rectification Notice also set forth that the period for the regulatory specific inspection on apps and that the MIIT will order the non-compliant entities to modify their business within five business days, or otherwise the MIIT will make public announcement, remove the apps from the app stores or impose other administrative penalties.

REGULATIONS RELATED TO INTELLECTUAL PROPERTY RIGHTS

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019, and took effect on November 1, 2019, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》), adopted by the State Council on August 3, 2002, and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of 10 years to registered trademarks commencing from the date of registration and the registered trademarks can be renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984, and last amended on October 17, 2020 with effective from June 1, 2021, and the Implementing Rules of the Patent Law of the PRC《中華人民共和國專利法實施細則》promulgated by the State Council on January 19, 1985, last amended on December 11, 2023, and effective from January 20, 2024, there are three types of patents in the PRC: invention patents, utility model patents and design patents. Under the currently effective Patent Law, the protection period of a patent right for invention patents shall be 20 years and the protection period of a patent right for utility model patents and design patents shall be 10 years, both commencing from the filing date. According to the Patent Law of the PRC, any entity or individual that seeks to exploit a patent owned by another party shall enter into a patent license contract with the patent owner concerned and pay patent royalties to the patent owner. Pursuant to the Measures for the Filling of Patent Licensing Contracts (《專利實施許可合同備案辦法》), promulgated by the State Intellectual Property Office on June 27, 2011, and effective as of August 1, 2011, the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide and the parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract.

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》) (the "Copyright Law"), which was promulgated by the SCNPC on September 7, 1990, and last amended on November 11, 2020. Under the currently effective Copyright Law, Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture.

To address the problem of copyright infringement related to content posted or transmitted over the Internet, on April 29, 2005, the National Copyright Administration and the MII jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet (《互聯網著作權行政保護辦法》), which became effective on May 30, 2005. Upon receipt of an infringement notice from a legitimate copyright holder, an ICP operator must take remedial actions immediately by removing or disabling access to the infringing content. If an ICP operator knowingly transmits infringing content or fails to take remedial actions after receipt of a notice of infringement harming public interest, the ICP operator could be subject to administrative penalties, including an order to cease infringing activities, confiscation by the authorities of all income derived from the infringement activities, or payment of fines.

On May 18, 2006, the State Council promulgated the Regulations on the Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》), which was amended in 2013. Under these regulations, an owner of the network dissemination rights with respect to written works or audio or video recordings who believes that information storage, search or link services provided by an Internet service provider infringe his or her rights may require that the Internet service provider delete, or disconnect the links to, such works or recordings.

Domain Names

The Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on August 24, 2017, and became effective on November 1, 2017, regulates the ".CN" and the ".zhongguo (in Chinese character)" shall be China's national top level domains. Any party that engages in internet information services shall use its domain name in compliance with laws and regulations and in line with relevant provisions of the telecommunications authority, but shall not use its domain name to commit any illegal act.

REGULATIONS RELATED TO LABOR AND SOCIAL SECURITY

According to the Labor Law of PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and was last amended on December 29, 2018, the Labor Contract Law of PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated and came into effect on September 18, 2008 by the State Council, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules and carry out regular health examinations for employees engaged in work involving occupational hazards.

According to the Social Insurance Law of the PRC(《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010, came into effect on July 1, 2011, and was amended on December 29, 2018, the Provisional Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on January 22, 1999, and amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999, came into effective on the same date and was last amended on March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to contribute may be fined and ordered to make up for the deficit within a stipulated time limit.

REGULATIONS RELATED TO FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in China are the Regulation on the Foreign Exchange Control of PRC (《中華人民共和國外匯管理條例》), promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and last amended on August 5, 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》), promulgated by the People's Bank of China in June 1996 and came into effect on July 1, 1996, according to which, the RMB for current account items is freely convertible, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans and investments in securities outside of the PRC, unless the prior approval or record-filing of the SAFE or its local counterpart is obtained.

The Circular on Reforming the Management Method regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), promulgated on March 30, 2015, came into effective on June 1, 2015, and last amended on December 30, 2019, allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of willingness-based foreign exchange settlement of capital for foreign-invested enterprises is temporarily set at 100%. The SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. However, Circular 19 and the Circular on Reforming and Regulating the Management Policies on the Settlement of Capital Projects (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**Circular 16**"), promulgated on June 9, 2016, continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investing and financing directly or indirectly in securities and other investments except for bank's principal-secured products, providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use.

On October 23, 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was last amended on December 4, 2023 according to which besides foreign-invested enterprises engaged in investment business, non-investment foreign-invested enterprises are also permitted to make domestic equity investments with their capital funds in foreign currency provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws.

LAW AND REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five related guidelines, which became effective on March 31, 2023. The Trial Measures comprehensively improved and reformed the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and regulated both direct and indirect overseas offering and listing of PRC domestic companies' securities through a filing-based regulatory regime.

For Initial public offerings or listings in overseas markets, the filing with the CSRC must be made within 3 working days after the relevant application is submitted overseas. Subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within 3 working days after the offering is completed. The securities subject to the Trial Measures include equity shares, depository receipts, corporate bonds convertible to equity shares, and other equity securities.

On February 24, 2023, the CSRC and other relevant government authorities issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the Confidentiality and Archives Administration Provisions), which became effective on March 31, 2023. Pursuant to the Confidentiality and Archives Administration Provisions, where a domestic enterprise provides or publicly discloses documents and materials involving state secrets and working secrets of state organs ("**relevant documents and materials**") to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses relevant documents and materials through its overseas listing subjects, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall complete the corresponding procedures pursuant to the relevant provisions of the PRC. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and out-of-country transfers shall go through the examination and approval formalities in accordance with the relevant provisions of the PRC.

DIRECTORS

The table below shows certain information in respect of the members of our Board of Directors ("**Board**"). The members of the Board as of the date of this Offering Circular are as follows:

Name	Age	Position
Mr. Ke Liming	41	Chairman of the Board ("**Chairman**") and executive Director
Mr. Zhang Qiang	60	Executive Director
Mr. Yang Ming	42	Non-executive Director
Mr. Chau Shing Yim, David	61	Independent non-executive Director
Mr. Nie Zhixin	62	Independent non-executive Director
Mr. Chen Haiquan	55	Independent non-executive Director
Professor Shi Zhuomin	54	Independent non-executive Director

EXECUTIVE DIRECTORS

Mr. Ke Liming ("**Mr. Ke**"), aged 41, was appointed as an executive Director and the Chairman in August 2021. Currently, he is also the chief executive officer of Shanghai Ruyi Film and Television Production Co., Ltd.* (上海儒意影視製作有限公司) and the chief executive officer of Pumpkin Films Limited, and previously served as a senior analyst at a hedge fund management company. He graduated from Griffith University, Australia, with a bachelor's degree in risk management in 2005 and a master's degree in monetary banking in 2006. Mr. Ke has led and invested as the investor and producer in films including "One and only《熱烈》","Johnny Keep Walking《年會不能停》", "Post Truth《保你平安》", "Five Hundred Miles《交換人生》", "Moon Man《獨行月球》", "Hi, Mom《你好李煥英》", "A Little Red Flower《送你一朵小紅花》", "Animal World《動物世界》", "City of Rock《縫紉機樂隊》", "Never Gone《致青春 • 原來你還在這裏》", "So Young《致我們終將逝去的青春》, "Old Boys: The Way of the Dragon《老男孩猛龍過江》", as well as television shows including "Love Is Full of Jiudaowan《情滿九道彎》", "Doctor of Traditional Chinese Medicine《老中醫》", "The Legendary Tavern《老酒館》", "Frontier of Love《愛情的邊疆》", "All Quiet in Peking《北平無戰事》", "Nirvana in Fire《瑯琊榜》", "Legend of MiYue《芈月傳》" and "We Fall in Love《咱們相愛吧》".

Mr. Zhang Qiang ("**Mr. Zhang**"), aged 60, was appointed as an executive Director in December 2021. Mr. Zhang is a renowned producer in the film and television field and is currently the Chief Content Officer (首席內容官) of the Group's Pumpkin Films (南瓜電影). Mr. Zhang graduated from Peking University with a Bachelor of Arts degree in Chinese Literature and later received a master's degree in film aesthetics from The Beijing Film Academy. He was previously the chairman of the board and general manager of Beijing Forbidden City Xindu TV Media Co., Ltd.* (北京紫禁城信都電視文化有限公司), the Deputy Editor-in-Chief (副總編輯) of Beijing Television, the deputy managing director (董事副總經理) of China Film Co., Ltd.* (中國電影股份有限公司), the executive director and chief executive officer of Alibaba Pictures Group Limited (the shares of which listed on the Hong Kong Stock Exchange; stock code: 1060), with over 27 years of experience in the film and television media industry in China. Mr. Zhang's representative masterpieces include "American Dreams in China《中國合夥人》", "So Young《致我們終將逝去的青春》" and "Wolf Totem《狼圖騰》".

NON-EXECUTIVE DIRECTOR

Mr. Yang Ming ("**Mr. Yang**"), aged 42, was appointed as a non-executive Director in June 2023. Mr. Yang joined Tencent Holdings Limited ("**Tencent Holdings**") in July 2006 and has been in charge of a number of Tencent Holdings' key businesses. He has led the game of "League of Legends" growing rapidly from a nascent game to a nationwide electronic sports game, and has led the team of

"Dungeons & Warriors" game to win several major business breakthrough awards. Currently, Mr. Yang is the person in charge of the domestic distribution line at Tencent Interactive Entertainment Group. Mr. Yang obtained a master's degree in management from Wuhan University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Shing Yim, David ("**Mr. Chau**"), aged 61, was appointed as an independent non-executive Director in October 2015. Mr. Chau has over 30 years of experience in corporate finance and was formerly a partner of one of the big four accounting firms. Mr. Chau was a key member who found their corporate finance division and held the position as their Head of Merger and Acquisition and Corporate Advisory.

Mr. Chau is a member of the Institute of Chartered Accountants in England and Wales ("**ICAEW**"), and was granted the Corporate Finance Qualification of ICAEW. Mr. Chau is also a member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and was a committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a Senior Fellow and a director of the Hong Kong Securities and Investment Institute, a member of the Corporate Committee and the Ex-Chairman of China and Corporate Committee. Mr. Chau is a member of Hong Kong Metropolitan University Foundation Advisory Committee.

Mr. Chau is a member of Pamela Youde Nethersole Eastern Hospital ("**PYNEH**") Fund Raising Committee, Charitable Trust and also an ex-member of the Hospital Governing Committee.

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

Mr. Nie Zhixin ("**Mr. Nie**"), aged 62, was appointed as an independent non-executive Director in October 2015. Mr. Nie is the standing vice president of the Henan Chamber of Commerce in the Guangdong province, vice president of the Tianhe Road Chamber of Commerce in Guangzhou, vice president of the Chain-operations Management Association in Guangzhou and general manager of Gladith Fashion Co., Ltd.* in Guangzhou. In 1990, Mr. Nie established the "GLADITH • 葛來娣" fashion brand in Guangzhou which has now become one of the well-known women's fashion brands in the PRC.

Mr. Chen Haiquan ("**Mr. Chen**"), aged 55, was appointed as an independent non-executive Director in October 2015. Mr. Chen is a doctorate holder from the Chuo University, Japan, a professor and doctoral supervisor at the Jinan University. He also serves as the president of the Guangdong Logistics and Supply Chain Association, dean of the Asia-Pacific E-commerce Institute, dean of the Guangdong Research Institute of Modern Logistics, vice president of the Guangdong E-commerce Standardized Technology Committee, member of the E-Commerce Advisory Committee of the Department of Commerce of Guangdong Province and member of the Advisory Committee of Guangzhou Municipality for Building an International Consumption Center City. Mr. Chen previously served as an independent director of Guangzhou Jiacheng International Logistics Co., Ltd. (listed on the main board of Shanghai Stock Exchange Limited, stock code: 603535). Mr. Chen graduated from the graduate school of Daito Bunka University, Japan and the graduate school of Chuo University, Japan and obtained a master's degree in economics and a doctorate in comprehensive policy, respectively. He is currently the independent non-executive Director of the Company, external director of Guangzhou

Lingnan Business Travel Investment Group Co., Ltd.* (廣州嶺南商旅投資集團有限公司) and independent director of Canton Tower Cultural Tourism Development Co. Ltd.* (廣州塔旅遊文化發展股份有限公司).

Professor Shi Zhuomin ("**Professor Shi**"), aged 54, was appointed an independent non-executive Director in September 2016. Professor Shi has obtained a doctoral degree in management from Sun Yat-sen University and a postdoctoral degree from Hitotsubashi University in Japan and is a visiting scholar under the China-US Fulbright Program. Professor Shi studied at and visited The Chinese University of Hong Kong, Harvard Business School and the University of Missouri and visited various countries and regions including the United States, Japan, Germany, Brazil and Hong Kong for academic exchange. She also held lectures on "Marketing Practice in China" and "Chinese Luxury Consumption" for students from Europe, the United States and Japan studying in China and held lectures on "Understanding Chinese Consumers" at certain universities in the United States. Professor Shi currently focuses on the research of consumption behaviour and psychology, cross-cultural consumption behaviour comparison research and international marketing. Professor Shi is currently a professor and doctoral supervisor in the management school at Sun Yat-sen University. She is also a council member of China Marketing Association of University, a provincial investigation and consulting expert of Guangdong Province and an external academic advisor of the MScMIB program of Lingnan University in Hong Kong.

* *For identification only*

OVERVIEW OF CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices are crucial to the smooth and effective operation of the Group and the safeguarding of the interests of the Shareholders and other stakeholders of the Company. The Company has put in place internal policies to ensure the compliance and has adopted and complied with the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix C1 to the Listing Rules.

To ensure compliance with anti-corruption policies and regulations, the Company has formulated an anti-corruption and whistle-blowing policy to regulate conduct of employees and external parties. Anti-bribery provisions are incorporated in the contracts between the Company and its customers and suppliers. The Company provides regular training in anti-corruption and anti-fraud policies to all Directors and employees to promote and support compliance with the relevant laws and regulations. The Company has also established whistleblowing channels for employees to report possible misconduct or file complaints in a confidential manner.

SECURITIES TRANSACTIONS BY THE DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") as the code of conduct for securities transactions conducted by the Directors and any employee or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities ("**Relevant Employees**").

The Company has also established guidelines on no less exacting terms than the Model Code for securities transactions by Directors and the Relevant Employees who are likely to be in possession of unpublished inside information of the Company.

THE BOARD OF DIRECTORS

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

Board Composition and Diversity

The Board comprises seven Directors with two executive Directors, one non-executive Director and four independent non-executive Directors. The Company has met the requirements of Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise. The independent non-executive Directors constitute more than half of the Board members which complies with rule 3.10A of the Listing Rules and possess appropriate professional qualifications or accounting or related financial management expertise. All of the independent non-executive Directors act in diligent manner to uphold the interests of the Company and the shareholders by maintaining the independence of their opinions and providing professional advice on the long-term development of the Company.

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

As the Board comprised one female member as at the date of this Offering Circular, the Board considers its diversity of gender is appropriate and no additional measurable objective is necessary in this respect. Also, the current Board consists of a diverse mix of Board members who match the requirement of the business of the Company.

To develop a pipeline of potential successors to the Board to achieve gender diversity, the Board has adopted and implemented structured recruitment, selection and training programmes at various level within the Group for the purpose of developing a pool of skill and experienced potential Board members and enhancing gender diversity.

Board Responsibilities

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

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

Supply of and Access to Information and Resources

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Company has in place internal policies (including but not limited to the Company's Memorandum of Association and Bye-laws, and Terms of Reference of the Remuneration Committee and the Nomination Committee) to ensure that the Board has access to independent views and opinions. The Company also engaged external experts to assist the Directors to perform their duties.

All the Directors have access to legal counsels. Procedures are also in place for Directors to seek, at the Company's expenses, independent professional advice in performing their duties. The Company has arranged appropriate insurance to cover the liabilities of the Directors arising from corporate activities. The insurance coverage is reviewed on an annual basis. The management provides the Board and its committees with adequate, complete and reliable information in a timely manner to enable them to make informed decisions.

Directors' Training

All Directors are expected to participate in continuous professional development. This involves various forms of activities including attending presentations given by external professional parties in respect of the new regime on disclosure, reading materials relevant to corporate governance and other regulatory requirements.

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

The Company regularly updates Directors on the developments in respect of the Listing Rules and applicable regulatory requirements, to enhance their awareness of good corporate governance practices.

Board Meetings

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

The Board meets at least twice a year at approximately quarterly intervals to review the financial performance of the Group, internal re-organization plans, the overall group strategy and operations with active participation of the majority of Directors.

A regular meeting does not include the practice of obtaining the consent of the Board through the circulation of written resolutions. For all other Board meetings, our Directors are given reasonable notice. Senior management is invited to attend Board meetings if necessary to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The company secretary is responsible for drafting and/or consolidating meeting agenda and obtaining comments from all Directors and approval of meeting agenda by the Chairman, preparing and circulating meeting materials that contain analysis and background information to all meeting attendees,

drafting and/or consolidating minutes of meetings of the Board and Board committees and obtaining comments from all Directors and approval of the meetings minutes by the Chairman. The approved meetings minutes are open for inspection by the Directors with reasonable advance notice.

BOARD COMMITTEES

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

The Audit Committee, Remuneration Committee and Nomination Committee mainly consist of the independent non-executive Directors.

To discharge their dedicated functions, each of the Board committees are provided with sufficient resources, including the engagement of external advisors such as financial advisors and valuation firms, as and when appropriate, to provide professional advice as required at the Company's cost.

Board Committee / Director	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Ke	—	member	chairman
Mr. Chau	chairman	chairman	—
Mr. Nie	member	member	member
Mr. Chen	member	—	member

Audit Committee

The Audit Committee comprises three independent non-executive Directors (Mr. Chau, Mr. Nie and Mr. Chen). The chairman of the Audit Committee is Mr. Chau.

The Audit Committee is principally responsible for reviewing the effectiveness of the Company's internal audit function, reviewing and supervising the Group's financial reporting process, reviewing annually the risk management and internal control system and providing advice and recommendations to the Board.

The Audit Committee adopted the written terms of reference which were basically the same as those set forth in code provision D.3.3 of the Code.

In compliance with rule 3.21 of the Listing Rules, Mr. Chau of the Audit Committee possesses appropriate professional qualifications on accounting or related financial management expertise. None of the Audit Committee members is a member of the previous or existing auditor of the Company.

Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors (Mr. Chau and Mr. Nie) and one executive Director (Mr. Ke). The chairman of the Remuneration Committee is Mr. Chau.

The Remuneration Committee adopted the written terms of reference which were basically the same as those set forth in code provision E.1.2 of the Code.

The Remuneration Committee is principally responsible for assessing performance of executive Directors, approving executive Directors' service contracts, reviewing and determining, with delegated responsibility, the remuneration policy and packages of the individual executive Directors and senior management. This includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss on termination of their office or appointment. No Director is involved in deciding his/her own remuneration.

Nomination Committee

The Nomination Committee comprises two independent non-executive Directors (Mr. Nie and Mr. Chen) and one executive Director (Mr. Ke). The chairman of the Nomination Committee is Mr. Ke.

The nomination committee's terms of reference are basically the same as those set forth in code provision B.3.1 of the Code.

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As of April 14, 2025, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions

of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as adopted by the Company, were as follows:

Director	Capacity	Number of Shares	Percentage of total number of issued Shares *(Note 1)*	Nature of shareholding
Mr. Ke *(Note 2)*	Controlled corporation	2,627,381,250	16.93%	Long position
Mr. Yang *(Note 3)*	Beneficial owner	1,080,000	0.01%	Long position
Mr. Zhang *(Note 4)*	Beneficial owner	10,000,000	0.06%	Long position

Notes:

(1) Percentage calculated on the basis of the total number of issued Shares as of April 14, 2025 (15,520,108,286 Shares).

(2) 2,627,381,250 Shares were indirectly held by Mr. Ke through Pumpkin Film Limited, a company indirectly wholly-owned by Mr. Ke.

(3) Mr. Yang was directly interested in 1,080,000 Shares.

(4) Mr. Zhang was interested in 10,000,000 Shares, all of which were represented by share options of the Company.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as of April 14, 2025.

Save as disclosed above, as of April 14, 2025, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

Save as disclosed above, none of the Directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as of April 14, 2025.

PRINCIPAL SHAREHOLDERS

As of April 14, 2025, in addition to the Directors and chief executive of the Company as set out in the tables included under "Directors — Directors' and Chief Executive's Interests in Securities", the following persons and entities had an interest in the shares or underlying shares in the Company which requires disclosure to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who held, directly or indirectly, an interest in 5% or more of the issued share capital of the Company:

Interested party	Capacity	Number of Shares	Percentage of total number of issued Shares *(Note 1)*	Nature of shareholding
Mr. Ke	Interest of a controlled corporation	2,627,381,250	16.93%	Long position
Pumpkin Films Limited *(Note 2)*	Beneficial owner	2,627,381,250	16.93%	Long position
Tencent Holdings *(Note 3)*	Interest of a controlled corporation	2,582,401,232	16.64%	Long position
Water Lily Investment Limited *(Note 4)*	Beneficial owner	2,545,734,565	16.40%	Long position
Sunshine Life Insurance Corporation Limited	Beneficial owner	1,141,508,438	7.36%	Long position

Notes:

(1) Percentage calculated on the basis of the total number of issued Shares as of April 14, 2025 (15,520,108,286 Shares).

(2) Pumpkin Films Limited is indirectly wholly-owned by Mr. Ke. As of April 14, 2025, 2,627,381,250 Shares were indirectly held by Mr. Ke through Pumpkin Films Limited.

(3) Tencent Holdings was indirectly interested in 2,582,401,232 Shares of which 2,545,734,565 Shares were directly held by Water Lily Investment Limited, an indirect wholly-owned subsidiary of Tencent Holdings and 36,666,667 Shares were directly held by Tencent Mobility Limited, a wholly-owned subsidiary of Tencent Holdings.

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

Save as disclosed above in the table, as of April 14, 2025, so far as is known to the Directors, no person (other than a Director) had interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

RELATED PARTY TRANSACTIONS

For the discussion of our related party transactions, please refer to Note 38 and Note 41 to the Audited Financial Statements as set out in our annual reports for 2023 and 2024, respectively, which are reproduced in this Offering Circular. Each of our related party transactions was entered into on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

DIVIDENDS AND DIVIDEND POLICY

Subject to the Companies Act 1981 of Bermuda (the "**Bermuda Companies Act**") and the Company's Memorandum of Association and Bye-laws, the Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board. The Company in general meeting may also make a distribution to the Shareholders out of any contributed surplus (as ascertained in accordance with the Bermuda Companies Act). The Board may also from time to time pay to the Shareholders such interim dividends as appear to the Board to be justified by the profits of the Company. However, no dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide, (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other moneys payable to a Shareholder by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on any class of the share capital of the Company, the Board may further resolve either: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof if the Board so determines) in cash in lieu of such allotment; or (b) that the shareholders entitled to such dividend shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of the Company or any other company, or in any one or more of such ways.

No dividend or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.

All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

The Company has adopted a dividend policy, pursuant to which the Company may declare and pay dividends to the shareholders of the Company. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, taking into account factors including but not limited to the Group's actual and expected financial performance, expected working capital requirements, capital expenditure requirements and future expansion plans, the retained earnings and distributable reserves and liquidity position of the Group, the general economic conditions etc. The Board will review the dividend policy from time to time to ensure its continued effectiveness.

The Board did not recommend the payment of a final dividend for the year ended December 31, 2024. The Board would like to retain the capital for the development of business. There can be no assurance that the Company will declare dividends on its Shares in near future.

TERMS AND CONDITIONS OF THE BONDS

The following (subject to modification and other than the words in italics) is the text of the terms and conditions of the Bonds (as defined below) substantially as they will appear on the reverse of each individual registered bond certificate evidencing the Bonds and in the Global Certificate:

The issue of HK$2,341 million in aggregate principal amount of 3.95 per cent. Convertible Bonds due 2030 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) of China Ruyi Holdings Limited (中國儒意控股有限公司) (the "**Issuer**") were authorised by resolutions of the board of directors of the Issuer passed on April 13, 2025. In addition, the right of conversion into Shares was approved by resolutions of the shareholders of the Issuer on June 18, 2024.

The Bonds are constituted by a trust deed (as amended, restated, supplemented and/or replaced from time to time, the "**Trust Deed**") dated April 22, 2025 (the "**Issue Date**") made between the Issuer and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as trustee for itself and the Bondholders (as defined below) (the "**Trustee**", which term shall, where the context so permits, include any successor Trustee and all other persons or companies for the time being acting as trustee or trustees appointed under the Trust Deed) and are subject to the paying and conversion agency agreement dated April 22, 2025 (as amended and/or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as principal paying agent, principal conversion agent and principal transfer agent (in such capacities, collectively the "**Principal Agent**", which expression shall include any successor Principal Agent appointed from time to time in connection with the Bonds) and as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and the other paying agents, conversion agents and transfer agents conversion agents and transfer agents (including their respective successors) appointed under it (each a "**Paying Agent**", a "**Conversion Agent**" or a "**Transfer Agent**", as applicable, and together with the Registrar and the Principal Agent, the "**Agents**") relating to the Bonds. For the avoidance of doubt, any reference to a "**Paying Agent**", a "**Conversion Agent**" or a "**Transfer Agent**" in each case includes the Principal Agent. The statements in these terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed.

For so long as the Bonds are outstanding (as defined under the Trust Deed), copies of the Trust Deed and the Agency Agreement are available for inspection by the Bondholders at all reasonable times during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays) at the principal office of the Trustee (being as at the Issue Date at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) following prior written request and proof of identity and holding to the satisfaction of the Trustee. The Bondholders are entitled to the benefit of, and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

1. STATUS

The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(A)) unsecured obligations of the Issuer, and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

2. FORM, DENOMINATION AND TITLE

A. Form and Denomination

The Bonds are issued in registered form in the specified denomination of HK$2,000,000 each and in integral multiples of HK$1,000,000 in excess thereof (each a "**Specified Denomination**"). A bond certificate (each a "**Certificate**") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the "**Register**") which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") deposited with a common depositary for, and registered in the name of a nominee of, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). When the Bonds are represented by a Global Certificate, these Conditions are modified by certain provisions contained in the Global Certificate. See the section of the Offering Circular entitled "The Global Certificate". Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.*

B. Title

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Bondholder**" and (in relation to a Bond) "**holder**" mean the person in whose name a Bond is registered. No transfer of title to a Bond will be valid unless and until registered on the Register. No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999, except and to the extent that any terms therein expressly provides for such Act to apply to any person in accordance with any of such terms.

3. TRANSFERS OF BONDS; ISSUE OF CERTIFICATES

A. Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside of Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

B. Transfer

Subject to Condition 3(E) and Condition 3(F) and the terms of the Agency Agreement, a Bond may be transferred in whole or in part by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of the relevant Certificate duly completed and signed by the holder, or his attorney duly authorised in writing, together with any other evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the

transferor and the authority of the individuals who have executed such form of transfer, to the specified office of the Registrar or the specified office of any of the Transfer Agents, during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays); *provided*, *however*, *that* a Bond may not be transferred unless the principal amount of such Bond to be transferred and (where not all of the Bonds held by a holder are being transferred) the principal amount of the balance of such Bond not being transferred are equal to a Specified Denomination. No transfer of a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures of the relevant clearing systems.

C. Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of the original Certificate and the form of transfer on the back of such Certificate duly completed and signed and any other evidence required by the Registrar or the relevant Transfer Agent as contemplated in Condition 3(B), be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, redeemed, repurchased or converted in accordance with these Conditions, a new Certificate in respect of the Bonds not so transferred, redeemed, repurchased or converted will, within seven business days of delivery of the original Certificate to the Registrar or other relevant Transfer Agent, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, redeemed, repurchased or converted (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3, "**business day**" shall mean a day other than a Saturday or Sunday or a public holiday on which commercial banks are generally open for business in the city in which the specified office of the Registrar or the Transfer Agent (as the case may be) with whom a Certificate is deposited in connection with a transfer or conversion is located.

D. Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any of the Agents may require) in respect of any tax, duty, assessment or other governmental charges of whatsoever nature which may be levied, imposed, collected or withheld or assessed in relation to such transfer, (ii) the Registrar and the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar and the relevant Transfer Agent being satisfied in its absolute discretion that the regulations concerning transfer of Bonds have been complied with.

E. Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) any date for payment of principal pursuant to the Conditions; (ii) during the period of seven days ending on (and including) any date for redemption pursuant to Condition 8(B) or Condition 8(C); (iii) after a Conversion Notice (as defined in Condition 6(B)) has been delivered with respect to such Bond; (iv) after a put notice has been delivered pursuant to Condition 8(D) or a Relevant Event Redemption Notice (as defined in Condition 8(E)) has been deposited in respect of such Bond; or (v) during such other periods during which the Issuer may be required to close its stock transfer books under any applicable law (each such period, a "**Closed Period**").

F. Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. Such regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection (free of charge to the Bondholder and at the Issuer's expense) by the Registrar to any Bondholder following prior request in writing and proof of holding and identity to the satisfaction of the Registrar at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays) at the specified office for the time being of the Registrar.

4. COVENANTS

A. Negative Pledge

The Issuer undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed it will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 10) will create or permit to subsist or arise any Security Interest upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any such Principal Subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Bonds are (i) secured equally and rateably by the same Security Interest, or (ii) at the option of the Issuer by such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

B. Notification to NDRC

The Issuer undertakes that it will within the prescribed time period prescribed by the NDRC (as defined below) or under the relevant laws and regulations, file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") the requisite information and documents in accordance with the Administrative Measures on the Approval and Registration of Medium- to Long-Term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法) (the "**Order 56**") issued by the NDRC and effective as of February 10, 2023 (the "**NDRC Post-issue Filing**") and comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules and regulations issued by the NDRC from time to time) and comply with the continuing

obligations including making other appropriate post-issuance disclosures, registrations and filings in connection with the Bonds as required by applicable laws and regulations issued by the NDRC from time to time.

C. CSRC Post-Issuance Filings

The Issuer undertakes to file or cause to be filed with the CSRC (as defined below) within the relevant timeframes prescribed by the CSRC the requisite information and documents in respect of the Bonds in accordance with the CSRC Filing Rules (as defined below) (the "**CSRC Post-Issuance Filings**", which term for the avoidance of doubt, includes the Initial CSRC Post-Issuance Filing (as defined below)) and comply with the continuing obligations under the CSRC Filing Rules and any implementation rules as issued by the CSRC from time to time.

D. Notification of Submission of Initial NDRC Post-Issuance Filing and Initial CSRC Post-Issuance Filing

The Issuer shall:

(A) file or cause to be filed (1) the initial NDRC post-issuance filing with the NDRC or its competent local counterpart of the information and documents relating to the issue of the Bonds that are required to be filed in accordance with Order 56 within ten Registration Business Days after the Issue Date (the "**Initial NDRC Post-Issuance Filing**") and (2) the CSRC Filing Report and other requisite information and documents in respect of the Bonds that are required to be filed with the CSRC within three Registration Business Days after the Issue Date in accordance with the CSRC Filing Rules (the "**Initial CSRC Post-Issuance Filing**"), and

(B) within ten Registration Business Days after the later of (a) the submission of the Initial NDRC Post-Issuance Filing, and (b) the submission of the Initial CSRC Post-Issuance Filing, provide the Trustee with (1) a certificate (substantially in the form scheduled to the Trust Deed) in English signed by an Authorised Signatory (as defined in the Trust Deed) confirming (x) the submission of the Initial NDRC Post-Issuance Filing, and (y) the submission of the Initial CSRC Post-Issuance Filing; and (2) copies of the relevant documents evidencing (x) the Initial NDRC Post-Issuance Filing (if any), and (y) the Initial CSRC Post-Issuance Filing (if any) and other documents (if any) evidencing the completion of the Initial NDRC Post-Issuance Filing and the Initial CSRC Post-Issuance Filing (the documents in (1) and (2) of this Condition 4(D)(B) together, the "**Registration Documents**"). In addition, the Issuer shall, within ten Registration Business Days after the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 18) confirming the submission of the Initial NDRC Post-Issuance Filing and the Initial CSRC Post-Issuance Filing.

The Trustee and the Agents may rely conclusively (without liability) on the Registration Documents and shall have no obligation or duty to monitor or assist with or ensure the Initial NDRC Post-Issuance Filing or the Initial CSRC Post-Issuance Filing is submitted or completed, respectively, or to verify the accuracy, completeness, content, validity and/or genuineness of any documents in relation to or in connection with the Initial NDRC Post-Issuance Filing and/or the Initial CSRC Post-Issuance Filing and/or the Registration Documents or to translate or procure the translation into English of the Registration Documents or documents in relation to or in connection with the Initial NDRC Post-Issuance Filing or the Initial CSRC Post-Issuance Filing, or to verify the accuracy, completeness, content, validity and/or genuineness of such English translation, or to

give notice to the Bondholders confirming the completion of the Initial NDRC Post-Issuance Filing and the Initial CSRC Post-Issuance Filing, and shall not be liable to Bondholders or any other person for not doing so.

E. Financial Statements

So long as any Bond remains outstanding the Issuer shall provide (1) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) within 14 days of a request by the Trustee and at the time of the provision of the Issuer Audited Financial Reports; (2) as soon as practicable after their date of publication and in any event not more than 120 days after the end of each Relevant Period, a copy of the Issuer Audited Financial Reports (audited by an internationally recognised firm of independent accountants of good repute) prepared and presented in accordance with HKFRS; and (3) as soon as practicable after their date of publication and in any event not more than 90 days after the end of each Relevant Period, a copy of the Issuer Unaudited Financial Reports prepared and presented on a basis consistent with the Issuer Audited Financial Reports, and if any such financial reports referred to in this sub-paragraph shall be in the Chinese language, together with an English language translation of the same translated by (x) an internationally recognised firm of independent accountants of good repute or (y) a professional translation service provider and checked by an internationally recognised firm of independent accountants of good repute, together with a certificate signed by any Authorised Signatory of the Issuer certifying that such translation is complete and accurate provided that, if at any time the capital stock of the Issuer is listed for trading on a recognised stock exchange, the Issuer may furnish to the Trustee, as soon as they are available, but in any event not more than 14 days after any financial reports of the Issuer is filed with the Hong Kong Stock Exchange on which the Issuer's capital stock is at such time listed for trading copies of such financial report filed with such exchange in lieu of the reports identified in this sub-paragraph (and if the same are not in the English language, together with an English translation of the same translated by (x) an internationally recognised firm of independent accountants of good repute or (y) a professional translation service provider and checked by an internationally recognised firm of independent accountants of good repute. The Trustee may rely conclusively without liability to any Bondholder or any other person on any such translation as being a complete and accurate translation of the original reports or statements. The Trustee shall not be required to review the Audited Financial Reports delivered to it as contemplated in this Condition 4(E) and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English translation of the same, and the Trustee shall not be liable to any Bondholder, the Issuer or any other person for not doing so.

F. Definitions

In these Conditions:

(A) "**Compliance Certificate**" means a certificate of the Issuer in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory of the Issuer certifying that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

a. no Event of Default or Potential Event of Default (as defined in the Trust deed) had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

b. each of the Issuer has complied with all its respective obligations under the Trust Deed, the Agency Agreement and the Bonds or, if any non-compliance had occurred, giving details of it.

(B) "**CSRC**" means the China Securities Regulatory Commission;

(C) "**CSRC Filing Rules**" means the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and supporting guidelines issued by the CSRC on February 17, 2023, as amended, supplemented or otherwise modified from time to time;

(D) "**CSRC Filing Report**" means the filing report of the Issuer in relation to the issuance of the Bonds which will be submitted to the CSRC within three Registration Business Days after the Issue Date pursuant to Articles 13 and 16 of the CSRC Filing Rules;

(E) "**HKFRS**" means Hong Kong Financial Reporting Standards;

(F) "**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

(G) "**Issuer Audited Financial Reports**" means the annual audited consolidated statement of financial position, statement of profit or loss, statement of cash flows of the Issuer and its consolidated Subsidiaries and statement of changes in owners' equity of the Issuer together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

(H) "**Issuer Unaudited Financial Reports**" means the semi-annual unaudited and unreviewed consolidated statement of financial position, statement of profit or loss, statement of cash flows of the Issuer and its consolidated Subsidiaries and statements of changes in owners' equity of the Issuer together with any statements, reports (including any directors' and auditors' reports, if any) and notes attached to or intended to be read with any of them, if any;

(I) any reference to "**Relevant Indebtedness**" is to any future or present indebtedness issued outside of the PRC in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market (whether or not initially distributed by way of private placement) but shall not include indebtedness under any loan facilities or agreements, bilateral loans or syndicated bank loans obtained by the Issuer or its Subsidiaries, or drawing down of any credit lines or facilities of the Issuer or any of its Subsidiaries;

(J) "**PRC**" means the People's Republic of China which, for the purposes of these Conditions only, does not include the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

(K) "**Registration Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing, the PRC; and

(L) any reference to "**Security Interest**" is to a mortgage, charge, pledge, lien or security interest securing any obligation of any person, other than any such interest arising by operation of law.

5. INTEREST

The Bonds bear interest from and including the Issue Date at the rate of 3.95 per cent. per annum (the "**Interest Rate**"), payable semi-annually in arrear on April 22, and October 22, in each year (each an "**Interest Payment Date**"), beginning on October 22, 2025.

Each Bond will cease to bear interest (a) (subject to Condition 6(B)(iv)) where the Conversion Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Conversion Date (as defined below), or if none, the Issue Date (subject in any case as provided in Condition 6(B)(iv)) or (b) where such Bond is redeemed or repaid pursuant to Condition 8 or Condition 10, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal or premium (if any) is improperly withheld or refused. If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

If the Issuer fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 2.0% per annum above the Interest Rate from the due date (the "**Default Interest**") until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (ii) the day falling the seventh day after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Interest in respect of any Bond shall be calculated per HK$1,000,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the Interest Rate, the Calculation Amount and the day-count fraction (determined in the same manner as stated above in this Condition 5) for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

6. CONVERSION

A. Conversion Right

(i) *Conversion Period:* Subject as hereinafter provided, each Bondholder has the right to convert the Bonds held by it into Shares (as defined in Condition 6(A)(v)) credited as fully paid at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond held by it into Shares is called the "**Conversion Right**". Subject to and upon compliance with the provisions of this Condition 6, the Conversion Right attaching to any Bond may be exercised in respect of such Bond, at the option of the holder thereof, at any time (subject to any applicable

fiscal or other laws or regulations and as hereinafter provided) on or after June 2, 2025 up to (a) the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 Trading Days prior to the Maturity Date (as defined in Condition 8(A)) (but, except as provided in Condition 6(A)(iv), in no event thereafter) or (b) if such Bond shall have been called for redemption before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 10 business days (in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D) or Condition 8(E), up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (the "**Conversion Period**"), *provided that* the principal amount of each such Bond shall be equal to a Specified Denomination.

A Conversion Right may not be exercised (a) in respect of a Bond where the holder shall have exercised its rights, by delivering or depositing the relevant notice, to require the Issuer to redeem such Bond pursuant to Condition 8(D) or Condition 8(E) or (b) except as provided in Condition 6(A)(iv), following the giving of notice by the Trustee pursuant to Condition 10.

The number of Shares to be issued on conversion of a Bond will be determined by the Conversion Agent by dividing the principal amount of the Bond to be converted by the Conversion Price in effect on the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by such holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

(ii) *Fractions of Shares:* Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that the Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after the Issue Date which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in Hong Kong dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds HK$100.00. Any such sum shall be paid not later than five Stock Exchange Business Days (as defined in Condition 6(B)(i)) after the relevant Conversion Date by transfer to a Hong Kong dollar account maintained by the payee in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

(iii) *Conversion Price:* The price at which Shares will be issued upon conversion (the "**Conversion Price**") will initially be HK$2.704 per Share but will be subject to adjustment in the manner provided in Condition 6(C) and Condition 6(D).

(iv) *Revival and/or survival after Default:* Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall on the date fixed for redemption thereof default in making payment in full in respect of any Bond which shall have been called or put for

redemption, (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or to the order of the Trustee in immediately available and cleared funds and notice of such receipt has been duly given to the Bondholders in accordance with Condition 18) and, notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and the Conversion Notice (as defined below) are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or to the order of the Trustee in immediately available and cleared funds before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

(v) *Meaning of "Shares":* As used in these Conditions, the expression "**Shares**" means ordinary shares of par value HK$0.02 each in the share capital of the Issuer (ISIN: BMG4404N1149) or shares of any class or classes resulting from any subdivision, consolidation or re-classification of such ordinary shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

B. Conversion Procedure

(i) *Conversion Notice:* To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit (at his own expense during the Conversion Period) at the specified office of any Conversion Agent during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays) on any business day (at the place where the Certificate evidencing such Bond is deposited for conversion) a duly completed and signed notice of conversion (a "**Conversion Notice**") in duplicate in the form as specified in the Agency Agreement, together with the relevant Certificate and confirmation that any amounts required to be paid by the Bondholder under Condition 6(B)(ii) have been so paid. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

The conversion date in respect of a Bond (the "**Conversion Date**") must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(iv) and Condition 10) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the later of the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice (if they are not surrendered and delivered on the same day) to the Conversion Agent and, if applicable, the date of making any payment or giving any indemnity and/or security and/or pre-funding under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice deposited outside the hours specified above or on a day which is not a business day at the place of the specified office of the relevant Conversion Agent shall for all purposes be deemed to have been deposited with that Conversion Agent during the

hours specified above on the next business day following such day. Any Bondholder who deposits a Conversion Notice during a Closed Period will not be permitted to convert the Bonds into Shares (as specified in the Conversion Notice) until the next business day after the end of the Closed Period, which (if all other conditions to the conversion have been fulfilled) will be the Conversion Date for such Bonds notwithstanding that such date may fall outside the Conversion Period. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal. "**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday) on which The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") or the Alternative Stock Exchange (as defined in Condition 6(C)), as the case may be, is open for trading of securities.

Any determination as to whether any Conversion Notice has been duly completed, signed and properly delivered shall be made by the relevant Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Conversion Agents and the relevant Bondholder.

(ii) *Stamp Duty etc.:* A Bondholder delivering a Certificate in respect of a Bond for conversion must pay directly to the relevant authorities any taxes and capital, stamp, issue, documentary and registration duties (in this Condition 6(B)(ii), "**Taxes**") arising on conversion (other than any Taxes payable in Bermuda, Hong Kong or any other relevant jurisdiction in connection with the creation, issue, offering or sale of the Bonds or the execution or delivery of the Trust Deed and the Agency Agreement and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange on conversion) (such Taxes payable in Bermuda, Hong Kong or any other relevant jurisdiction as aforesaid being "**Issuer Taxes**") and such Bondholder must pay all, if any, Taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion but shall not be responsible for any Issuer Taxes or any other expenses arising on the issue of Shares on conversion of Bonds (which Issuer Taxes and other expenses as aforesaid shall be paid by the Issuer). Neither the Trustee nor the Agents shall be under any obligation to determine whether a Bondholder or, as the case may be, the Issuer is liable to pay any Taxes, Issuer Taxes, expenses or other amounts including capital, stamp, issue, registration or similar taxes and duties or for calculating or verifying the calculation of the amounts payable (if any) under or in connection with this Condition 6(B)(ii) and none of them shall be responsible or liable for any failure by the Issuer or any Bondholder to pay such Taxes, Issuer Taxes, expenses or other amounts.

(iii) *Registration:* As soon as practicable, and in any event not later than seven Stock Exchange Business Days after the Conversion Date in respect of any Bond, the Issuer will in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed and signed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder have been deposited or paid in full as required by Conditions 6(B)(i) and 6(B)(ii) above, register the person or persons designated for such purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Issuer's Hong Kong branch register of members and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable laws and the rules and procedures of the Central Clearing and Settlement System of Hong Kong (the "**CCASS**") effective from time to time, take all necessary actions to procure that Shares are delivered through the CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make

such share certificate or certificates registered in the name of such person or persons available for collection at the office of the Issuer's branch share registrar in Hong Kong (currently Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road,, Hong Kong) as may from time to time be notified to Bondholders in accordance with Condition 18 or, if so requested in the relevant Conversion Notice, will cause its branch share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such share certificate or certificates are sent) such share certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof. In all cases a single share certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

The delivery of the Shares to the converting Bondholder (or such person or persons designated in the relevant Conversion Notice) in the manner contemplated above in this Condition 6(B)(iii) will be deemed to satisfy the Issuer's obligation to pay the principal and premium (if any) on such converted Bonds.

If the Conversion Date in relation to any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event that gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C), but before the relevant adjustment becomes effective under Condition 6(C), upon the relevant adjustment becoming effective the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)) of such additional number of Shares as, together with the Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date.

The person or persons designated in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date s/he is or they are registered as such in the Issuer's Hong Kong branch register of members (the "**Registration Date**"). The Shares issued upon conversion of the Bonds will be fully paid and will in all respects rank *pari passu* with all other Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

(iv) *Equivalent Amounts:* If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the relevant Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 6(B) prior to the time such retroactive adjustment shall have become effective), the Issuer will pay to the converting Bondholder or his designee an amount in Hong Kong dollars (the "**Equivalent Amount**") converted at the Prevailing Rate (as defined below) equal to the Fair Market Value (as defined below) of any such dividend or other distribution to which such Bondholder would have been entitled had s/he on that record date been such

a shareholder of record and will make such payment to such Bondholder at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid within such time period by transfer to a Hong Kong dollar account maintained by the payee in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the Equivalent Amount payable under this Condition 6(B) and will not be responsible or liable to the Issuer, any Bondholder or any other person for any loss arising from any failure by it to do so.

(v) *Interest Accrual:* If any notice requiring the redemption of any Bonds is given pursuant to Condition 8(B) or Condition 8(C) on or after the 15th Hong Kong business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall (subject as hereinafter provided) accrue on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Conversion Date; *provided that* no such interest shall accrue on any Bond in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend or distribution or in the event the Bond carries an entitlement to receive an Equivalent Amount. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by transfer to a Hong Kong dollar account maintained by the payee in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

C. Adjustments to Conversion Price

The Conversion Price will be subject to adjustment in the following events:

(1) Consolidation, Subdivision, Redesignation or Reclassification*:* If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision, redesignation or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date such consolidation, subdivision, redesignation or reclassification takes effect.

(2) Capitalisation of Profits or Reserves:

(i) If and whenever the Issuer shall issue any Shares credited as fully paid to the holders of Shares (the "**Shareholders**") by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend (as defined below)) and which would not have constituted a Capital Distribution (as defined below), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(ii) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price (as defined below) per Share on the date of announcement of the terms of such Scrip Dividend exceeds 105 per cent. of the amount of the Relevant Cash Dividend (as defined below) or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend for which Shareholders have elected to receive as Shares issued by way of Scrip Dividend and (ii) the denominator is the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

Such adjustment shall become effective on the date of issue of such Shares issued by way of Scrip Dividend or if a record date is fixed therefor, immediately after such record date.

(3) *Capital Distributions:* If and whenever the Issuer shall pay or make any Capital Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per Share on the date on which the Capital Distribution is first publicly announced; and

B is the Fair Market Value (as defined below) of such Capital Distribution per Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or paid or if a record date is fixed therefor, immediately after such record date. For the purpose of the above in this Condition 6(C)(3), Fair Market Value shall (subject as provided in the definition of "**Fair Market Value**") be determined as at the date on which the Capital Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Capital Distribution is capable of being determined in Hong Kong dollars as provided herein.

In making any calculation pursuant to this Condition 6(C)(3), such adjustments (if any) shall be made as an Independent Financial Advisor may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Issuer.

(4) *Rights Issues of Shares or Options over Shares:* If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate consideration receivable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

(5) *Rights Issues of Other Securities:* If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value per Share on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. For the purpose of the above in this Condition 6(C)(5), Fair Market Value shall (subject as provided in the definition of "**Fair Market Value**") be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Shares in relation to such issue or grant is capable of being determined as provided herein.

(6) *Issues at less than Current Market Price:* If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of

conversion into, or exchange or subscription for, Shares) or shall issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares (other than the Bonds), in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of the maximum number of Shares to be issued or the exercise of such options, warrants or other rights would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

(7) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)) or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity, shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities.

(8) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95 per cent. of the Current Market Price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A-B}{A}$$

Where:

A is the aggregate number of Shares in issue multiplied by their respective Current Market Price per Share on the date on which such modification is publicly announced; and

B is the difference between the Fair Market Value of the modification aggregated across all Shares in issue on the date of such announcement and the aggregate consideration received for the modification.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(9) *Other Offers to Shareholders:* If and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(2), Condition 6(C)(3), Condition 6(C)(4), Condition 6(C)(5), Condition 6(C)(6) or Condition 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per Share on the date on which such issue, sale or distribution is publicly announced; and

B is the Fair Market Value of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities. For the purpose of the above in this Condition 6(C)(9), Fair Market Value shall (subject as provided in the definition of "**Fair Market Value**") be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Shares is capable of being determined as provided herein.

(10) *Other Events:* If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Issuer shall, at its own expense, consult an Independent Financial Advisor selected by it in good faith to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Financial Advisor such adjustment (if any) shall be made and shall take effect in accordance with such determination. Notwithstanding the foregoing, the per Share value of any such modification shall not exceed the per Share value of the dilution in the Shareholders' interest in the Issuer's equity caused by such events or circumstances.

In this Condition 6(C), where the events or circumstances giving rise to any adjustment pursuant to any of the above adjustments under this Condition 6(C) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Financial Advisor to be in its opinion appropriate to give the intended result.

For the purposes of these Conditions:

"**Alternative Stock Exchange**" means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, such other internationally recognised stock exchange which is the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;

"**Capital Distribution**" means:

(i) the aggregate distribution of assets in specie by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes, without limitation, an issue of Shares or other securities credited as fully or partly paid by way of capitalisation of reserves, but excludes any Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(2)(i) and a Scrip Dividend adjusted for under Condition 6(C)(2)(ii)); and

(ii) the aggregate cash dividend or distribution on a gross basis (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Issuer for any financial period (whenever paid and however described), translated into Hong Kong dollars at (A) the exchange rate between Renminbi and Hong Kong dollars expressed to be used in respect of such cash dividend or distribution (where applicable) or (B) in all other cases, the Prevailing Rate as at the date such distribution under (i) and/or (ii) of this definition is announced, *provided that* a purchase, redemption or buy back of Shares by or on behalf of the Issuer (or a purchase of Shares by or on behalf of a Subsidiary of the Issuer), where the weighted average price or consideration per Share (before expenses) on any one day in respect of such purchases or redemptions exceeds the Current Market Price of a Share by more than 5 per cent. either (a) on that date, or (b) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (a) or (b), the relevant day is not a Trading Day, the immediately preceding Trading Day, shall be deemed to constitute a Capital Distribution in an amount equal to the amount by which the aggregate consideration paid (before expenses) in respect of such Shares purchased, redeemed or bought back exceeds the product of (i) 105 per cent. of such Current Market Price and (ii) the number of Shares so purchased, redeemed or bought back. In making any such calculation, such adjustments (if any) shall be made as an Independent Financial Advisor may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (c) the modification of any rights to dividends of Shares.

"**Closing Price**" of the Shares for any Trading Day shall be the price published in the daily quotation sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day;

"**Current Market Price**" means, in respect of a Share on a particular date, the average of the Closing Prices for one Share (being a Share carrying full entitlement to dividend) for the five consecutive Trading Days ending on the Trading Day immediately preceding such date, *provided that* if at any time during the said five Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

(i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share; or

(ii) if the Shares to be issued in such circumstances rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of that dividend per Share;

and provided further that if the Shares on each of the said twenty Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the Closing Price on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share;

"**Fair Market Value**" means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Financial Advisor on the basis of any commonly accepted market valuation method and taking into account such factors as it considers appropriate, *provided that* an Independent Financial Advisor will not be required to determine the fair market value where (i) the Capital Distribution is paid in cash, in which case the fair market value of such cash Capital Distribution per Share shall be the amount of such cash Capital Distribution per Share, (ii) any other amounts are paid in cash, in which case the fair market value of such cash amount shall be the amount of cash, and (iii) options, warrants or other rights or securities are or will upon issuance be publicly traded in a market of adequate liquidity (as determined by such Independent Financial Advisor, except that no such determination shall be required for The New York Stock Exchange, the Nasdaq Global Market, the London Stock Exchange, the Singapore Exchange Securities Trading Limited or the Hong Kong Stock Exchange), in which case the fair market value of such options, warrants or other rights or securities shall equal the arithmetic mean of the daily closing price of such options, warrants or other rights or securities during the period of ten trading days on the relevant market commencing on the first such trading day such options, warrants or other rights or securities are publicly traded. Such amounts, if expressed in a currency other than Hong Kong dollars shall be translated into Hong Kong dollars at the Prevailing Rate (if available) on such date. In addition, in the case of proviso (i) and proviso (ii) above of this definition, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit;

"**Independent Financial Advisor**" means a reputable independent financial advisor, calculation agent or financial institution with appropriate expertise selected by the Issuer (and all fees, costs and expenses of the appointment of the Independent Financial

Adviser shall be for the account of the Issuer) and notified in writing to the Conversion Agent and the Trustee. The Conversion Agent and the Trustee shall not be responsible for or under any obligation to appoint an Independent Financial Advisor and shall have no responsibility or liability for verifying any calculation, determination, certification, advice or opinion made, given or reached by the Independent Financial Adviser;

"**Prevailing Rate**" means, in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined, *provided that* in the case of any cash Capital Distribution publicly announced by the Issuer in Renminbi in respect of the Shares, the "Prevailing Rate" shall mean the Renminbi to Hong Kong dollar exchange rate publicly announced by the Issuer applicable to such cash Capital Distribution;

"**Relevant Cash Dividend**" means any cash dividend specifically declared by the Issuer;

"**Relevant Page**" means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters HKDFIX page (or its successor page) or such other information service provider that displays the relevant information;

"**Scrip Dividend**" means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend, being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution (and for the avoidance of doubt, no adjustment is to be made under Condition 6(C)(3) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or the relevant part thereof but without prejudice to any adjustment required in such circumstances to be made under Condition 6(C)(2));

any reference to a "**Subsidiary**" of any person is to any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Bermuda or Hong Kong law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person. For the avoidance of doubt, any variable interest entity that the Issuer consolidates at any time pursuant to Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants shall be deemed a "**Subsidiary**" of the Issuer; and

"**Trading Day**" means a day when the Hong Kong Stock Exchange or, as the case may be, an Alternative Stock Exchange, is open for the business of dealing in securities, *provided that* if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if

applicable) would be less than 1 per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 18 (with a copy to the Trustee and the Agents) as soon as practicable after the determination thereof.

The Conversion Price may not be reduced so that, on the conversion of any Bond, Shares would be issued at a discount to their par value or Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in Hong Kong or Bermuda.

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Condition 6(C) or Condition 6(D) should be made, and following consultation between the Issuer and an Independent Financial Advisor, a written opinion of such Independent Financial Advisor in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error. Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Financial Advisor, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Financial Advisor to be in its opinion appropriate in order to give such intended result.

Notwithstanding any provision in this Condition 6, no adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) or former employees (including former directors) of the Issuer or any Subsidiary of the Issuer or any other eligible participants pursuant to any Share Scheme (as defined in the Trust Deed) (and which Share Scheme is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or, if applicable, the listing rules of an Alternative Stock Exchange), which for the avoidance of doubt shall include the grant of share options and/or the issuance of Shares pursuant to the share option schemes adopted by the Issuer on October 31, 2013 and June 28, 2023 respectively, unless any such grant or issuance or other action (which, but for this provision, would have required adjustment pursuant to this Condition 6) would result in the total number of Shares which may be issued upon exercise of such share options granted during any 12-month period up to and including the date of such grant or issuance or other action representing, in aggregate, over 3.0 per cent. of the average number of issued and outstanding Shares during such 12-month period ("**Excess Threshold**"), in which case only such portion of the grant or issuance that exceeds the Excess Threshold shall be taken into account in determining the adjustment of the Conversion Price pursuant to this Condition 6.

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 6(C)(1) above. The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee in writing and to the Bondholders in accordance with Condition 18 *(Notices)*, reduce the Conversion Price.

Any references herein to the date on which a consideration is "**fixed**" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

References to any issue or offer or grant to Shareholders "**as a class**" or "**by way of rights**" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

Neither the Trustee nor any of the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation or determination (or any verification thereof) in connection with the Conversion Price, and none of them will be responsible or liable to the Bondholders or any other person for any loss arising from any failure by it to do so or for any delay by the Issuer or any Independent Financial Advisor in making any calculation or determination or any erroneous calculation or determination in connection with the Conversion Price, and each of them shall be entitled to rely conclusively (without investigation or inquiry) and without liability to any Bondholder or any other person on any report or certificate of or from an Authorised Signatory of the Issuer or, as the case may be, by any person on behalf of any Independent Financial Advisor in connection therewith. All adjustments to the Conversion Price under this Condition 6(C) shall be determined by the Issuer, and neither the Trustee nor the Agents shall be responsible for calculating or verifying such determinations.

D. Adjustment upon Change of Control

If a Change of Control (as defined in Condition 8(I)) shall have occurred, the Issuer shall give notice of that fact to the Bondholders in accordance with Condition 18 and to the Trustee and the Principal Agent in writing (the "**Change of Control Notice**") within 14 days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to Bondholders, the Principal Agent, the Conversion Agent and the Trustee (such period, the "**Change of Control Conversion Period**"), the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = \frac{OCP}{1 + (CP \times c/t)}$$

Where:

"**NCP**" means the new Conversion Price after adjustment.

"**OCP**" means the Conversion Price before adjustment in effect on the relevant Conversion Date in respect of any conversion to which this Condition 6(D) is applicable.

"**CP**"means 30 per cent. expressed as a fraction.

"**c**" means the number of days from and including the first day of the Change of Control Conversion Period to but excluding the Maturity Date.

"**t**" means the number of days from and including the Issue Date to but excluding the Maturity Date,

provided that the Conversion Price shall not be reduced pursuant to this Condition 6(D) below the level permitted by applicable laws and regulations from time to time (if any).

If the last day of a Change of Control Conversion Period shall fall during a Closed Period, the Change of Control Conversion Period shall be extended such that its last day will be the 15th day following the last day of the Closed Period.

Neither the Trustee nor any of the Agents shall be under any duty to monitor whether any Change of Control or other circumstance has happened or exists which may require an adjustment to be made to the Conversion Price under this Condition 6(D) or to make any calculation or determination (or any verification thereof) in connection with the new Conversion Price as adjusted, and none of them will be responsible or liable to the Bondholders or any other person for any loss arising from any failure by it to do so or for any delay by the Issuer or any Independent Financial Advisor in making any calculation or determination or any erroneous calculation or determination in connection with the Conversion Price, and each of them shall be entitled to rely conclusively (without investigation or inquiry) and without liability to any Bondholder or any other person on any report or certificate of or from an Authorised Signatory of the Issuer or, as the case may be, by any person on behalf of any Independent Financial Advisor in connection therewith. The adjustment to the Conversion Price under this Condition 6(D) shall be determined by the Issuer, and neither the Trustee nor the Agents shall be responsible for calculating or verifying such determination.

E. ***Undertakings***

The Issuer undertakes that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution:

(i) it will use its best endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange, and if the Issuer is unable to obtain or maintain such listing, to use its best endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as from time to time selected by the Issuer and will forthwith give notice to the Bondholders in accordance with Condition 18 below and to the Trustee and the Agents in writing of the listing or delisting of the Shares (as a class) by any such stock exchange;

(ii) it will pay the expenses of the issue of, and all expenses of obtaining a listing for, Shares arising on conversion of the Bonds (save for any Taxes payable by the relevant Bondholder as specified in Condition 6(B)(ii));

(iii) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund, except where the reduction is permitted by applicable law and results in (or would, but for the provisions of Condition 6(C) relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into

account for the purposes of determining whether such an adjustment should be made, *provided always* that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by applicable laws;

(iv) it will use its best endeavours to maintain the listing of the Bonds on The Stock Exchange of Hong Kong Limited (the "**SEHK**") and if the Issuer is unable to maintain such listing, to use its best endeavours to obtain and maintain a listing on another internationally recognised stock exchange and will forthwith give notice to the Bondholders in accordance with Condition 18 below of the listing or delisting of the Bonds by any such stock exchange;

(v) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and

(vi) it will not make any offer, issue or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Issuer, provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

F. Notice of Change in Conversion Price

The Issuer shall give notice to the Bondholders in accordance with Condition 18 and to the Trustee and the Principal Agent in writing of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall be in English and set forth reasonable details of the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment. For the avoidance of doubt, nothing in this Condition 6(F) shall require the Issuer to disclose any information which it is not legally permissible to disclose.

Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the adjusted Conversion Price and none of them will be responsible or liable to the Issuer, Bondholders or any other person for any loss arising from any failure by it to do so.

7. PAYMENTS

A. Principal, Interest and premium

Payment of principal, premium (if any), interest and any other amount due in respect of any Bond will be made by transfer to the registered account of the Bondholder. Payment of principal and premium (if any) will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

References in these Conditions, the Trust Deed and the Agency Agreement to principal in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium payable thereon.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream and/or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except December 25, and January 1,.*

B. Registered Accounts

For the purposes of this Condition 7, a Bondholder's registered account means the Hong Kong dollar account maintained by or on behalf of it, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment (the "**Record Date**"), and a Bondholder's registered address means its address appearing on the Register at that time.

C. *Fiscal Laws*

All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) if applicable, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

D. *Payment Initiation*

Payment instructions (for value on the due date or, if that is not a business day (as defined below in Condition 7(F)), for value on the first following day which is a business day) will be initiated on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal and premium (if any), if later, on or following the business day on which the relevant Certificate is surrendered at the specified office of a Paying Agent on which the Principal Agent is open for business.

E. Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so).

F. Business Day

In this Condition 7, unless otherwise defined, "**business day**" means a day other than a Saturday, Sunday or public holiday on which commercial banks generally are open for business in Hong Kong and New York City and the place in which the specified office of the Registrar or the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

G. Partial Payment

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

H. ***Rounding***

When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded to the nearest unit (half a unit being rounded upwards).

8. REDEMPTION, PURCHASE AND CANCELLATION

A. Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 100 per cent. of its aggregate principal amount together with accrued and unpaid interest thereon on April 22, 2030 (the "**Maturity Date**"). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or Condition 8(C) below (but without prejudice to Condition 10).

B. *Redemption at the Option of the Issuer*

On giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) in accordance with Condition 18 and to the Trustee and Principal Agent in writing (which notice shall be irrevocable), the Issuer may:

(i) at any time after 3 years and 14 days from the Issue Date and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid), *provided that* the Closing Price of the Shares for any 20 out of 30 consecutive Trading Days, the last of which occurs not more than 10 days prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the Conversion Price then in effect; or

(ii) at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid), *provided that* prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

If there shall occur an event giving rise to a change in the Conversion Price during any such 30 Trading Day period as mentioned in Condition 8(B)(i) above, appropriate adjustments for the relevant days shall be made, as determined by an Independent Financial Advisor, for the purpose of calculating the Closing Price for such days.

C. Redemption for Taxation Reasons

(i) At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders (which notice shall be irrevocable) in accordance with Condition 18 and to the Trustee and the Principal Agent in writing (which notice shall be irrevocable) redeem all but not some only of the Bonds at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date (the "**Tax Redemption Date**") if the Issuer satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice that (a) the Issuer has or will become obliged to pay additional amounts as referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Bermuda, Hong Kong or the PRC or any political subdivision or any

authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, *provided that* no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(C)(i), the Issuer shall deliver to the Trustee (A) a certificate in English signed by two Authorised Signatories of the Issuer stating that the obligation referred to in (a) above of this Condition 8(C)(i) cannot be avoided by the Issuer taking reasonable measures available to it and (B) an opinion, in form and substance satisfactory to the Trustee, of independent legal or tax advisors of recognised standing to the effect that such change or amendment referred to in (a) above of this Condition 8(C)(i) has occurred (irrespective of whether such amendment or change is then effective), and the Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion as sufficient evidence thereof, in which event the same shall be conclusive and binding on the Bondholders. The Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying conclusively on such certificate or opinion. Upon the expiry of any such notice, the Issuer (subject to Condition 8(C)(ii) below) will be bound to redeem the Bonds at a redemption price equal to their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date.

(ii) If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(C)(i), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal or premium (if any) to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and payment of all amounts by the Issuer to such holder in respect of such Bond(s) shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8(C)(ii), the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Certificate evidencing the relevant Bond(s) on or before the day falling 10 days prior to the Tax Redemption Date.

D. ***Redemption at the Option of Bondholders***

The Issuer will, at the option of the holder of any Bond, redeem all or some only of such holder's Bonds on April 22, 2028 (the "**Put Option Date**") at 100 per cent. of their principal amount, together with interest accrued but unpaid up to (but excluding) such date. To exercise such option, the holder must deposit during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays) at the specified office of any Paying Agent a duly completed and signed put notice in the form as specified in the Agency Agreement, together with the Certificate evidencing the Bonds to be redeemed not more than 60 days and not less than 30 days prior to the Put Option Date.

A put notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of the put notices delivered as aforesaid on the Put Option Date.

E. ***Redemption for Relevant Event***

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of that holder's Bonds on the Relevant Event Redemption Date (as defined below) at a redemption price equal to their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays, at his own expense, at the specified office of any Paying Agent, a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Relevant Event Redemption Notice**") together with the Certificate evidencing the Bond(s) to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 18 (which notice shall also be given at the same time to the Trustee and the Principal Agent). The "**Relevant Event Redemption Date**" shall be the fourteenth business day (as defined in Condition 7(F)) after the expiry of such period of 30 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable unless the Issuer consents to its withdrawal and the Issuer shall redeem the Bonds the subject of Relevant Event Redemption Notices delivered as aforesaid on the Relevant Event Redemption Date.

Neither the Trustee nor any of the Agents shall be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred or may occur and none of them will be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

The Issuer shall give notice to Bondholders in accordance with Condition 18 and to the Trustee and the Principal Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8(E) and shall give brief details of the Relevant Event and, if the Relevant Event occurs during the Conversion Period, shall also contain a statement informing Bondholders of their entitlement to exercise their Conversion Right as provided in these Conditions.

Neither the Trustee nor the Agents shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with any Relevant Event, nor shall they be liable to Bondholders, the Issuer or any other person for not doing so, without prejudice to their respective duties owed to the Issuer. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Relevant Event Redemption Notice, nor shall they be liable to the Issuer, the Bondholders or any other person for not doing so.

A "**Relevant Event**" occurs:

(i) when the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 30 consecutive Trading Days, on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange); or

(ii) when there is a Change of Control; or

(iii) when less than 25 per cent. of the Issuer's total number of issued Shares are held by the public (as interpreted under LR8.24 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited); or

(iv) when a VIE Triggering Event occurs.

F. ***Purchases***

The Issuer or any of its Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise. Any Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to convert the Bonds in accordance with these Conditions nor to vote at any meetings of the holders of the Bonds and shall be deemed not to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders nor for exercising any voting rights with respect to such Bonds nor for the purposes of Condition 10, Condition 13 and Condition 14(A).

G. ***Cancellation***

All Bonds which are redeemed, converted or purchased by the Issuer or any of its Subsidiaries will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

H. ***Redemption Notices***

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be irrevocable and will be given in accordance with Condition 18 and will specify (i) the Conversion Price as at the date of the relevant notice, (ii) the Conversion Period, (iii) the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice, (iv) the applicable redemption amount and accrued interest payable, (v) the date for redemption, (vi) the manner in which redemption will be effected, (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice, and (viii) such other information as the Trustee and the Principal Agent may require.

If more than one notice of redemption is given (which shall include any notice given by either the Issuer or a Bondholder pursuant to this Condition 8), the first of such notices to be given shall prevail.

I. ***Definitions***

For the purposes of these Conditions:

"**acting in concert**" has the meaning given to it under the Code on Takeovers and Mergers administered by the Securities and Futures Commission of Hong Kong.

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"**Change of Control**" means the occurrence of one or more of the following events:

(i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries, taken as a whole, to any Person other than one or more Permitted Holders;

(ii) the Issuer consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person (other than one or more Permitted Holders) consolidates with, or merges with or into, the Issuer, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Issuer or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Issuer outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(iii) neither (a) Mr. Ke Liming and any Person acting in concert with him nor (b) Tencent Holdings Limited and any Person acting in concert with it is the largest shareholder (whether holding the legal title or as beneficial owner of Shares) of the Issuer;

(iv) any Person (other than one or more Permitted Holders) acquires Control of the Issuer; or

(v) the adoption of a plan relating to the liquidation or dissolution of the Issuer.

"**Common Stock**" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding on the Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

"**Control**" means (a) the acquisition or control of more than 30 per cent. of the Voting Rights of the issued share capital of the Issuer or (b) the right to appoint and/or remove all or the majority of the members of the Issuer's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise.

"**Permitted Holders**" means any or all of the following:

(i) Mr. Ke Liming and his Affiliates; and

(ii) Tencent Holdings Limited and its Affiliates.

"**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

"**Preferred Stock**" means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends.

a "**VIE Triggering Event**" occurs if (a) there is any change in or amendment to the laws, regulations and rules of the PRC or the official interpretation or official application thereof (a "**change in law**") that results in (x) the Issuer and its Subsidiaries (collectively, the "**Group**") (as in existence immediately subsequent to such change in law), taken as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Group (as in existence immediately prior to such change in law) as of the last date of the period described in the Issuer's consolidated financial statements for the most recent fiscal year or half year and (y) the Issuer being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such change in law) in the same manner as reflected in the Issuer's consolidated financial statements for the most recent fiscal year or half year and (b) the Issuer has not furnished to the Trustee, prior to the date that is 9 months after the date of the change in law, an opinion from an independent financial adviser or an independent legal counsel selected by the Issuer who is reasonably acceptable to the Trustee and addressed to the Trustee (and the Trustee shall be entitled to rely conclusively on such opinion without liability to the Issuer or any other person) stating either (x) that the Issuer is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such change in law), taken as a whole, as reflected in the Issuer's consolidated financial statements for the most recent fiscal year or half year (including after giving effect to any corporate restructuring or reorganisation plan of the Group) or (y) that such change in law would not materially adversely affect the Issuer's ability to make principal, premium (if any) and interest payments on the Bonds when due or to convert the Bonds in accordance with these Conditions.

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of the Issuer (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

9. TAXATION

All payments made by or on behalf of the Issuer under or in respect of the Bonds, the Trust Deed or the Agency Agreement will be made free from any restriction or condition and shall be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Bermuda, Hong Kong, the PRC or, in any such case, any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

(i) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Bermuda, Hong Kong or the PRC, otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond; or

(ii) (in the case of a payment of principal or premium (if any)) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, "**relevant date**" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and payment made.

References in these Conditions to principal, interest and premium (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed and the Bonds.

Neither the Trustee nor any Agent shall in any event be responsible for paying any tax, duty, charges, assessments, government charges, withholding, deduction or other payment referred to in this Condition 9 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any other person to pay such tax, duty, charges, assessments, government charges, withholding, deduction or other payment in any jurisdiction or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, assessments, government charges, withholding, deduction or other payment imposed by or in any jurisdiction, including without limitation any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, interest and premium (if any) or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charges, assessments, government charges, withholding, deduction or other payment imposed by or in any jurisdiction.

10. EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject to being first indemnified and/or secured and/or pre-funded to its satisfaction), give notice in writing to the Issuer that the Bonds are, and they shall accordingly thereby immediately become, due and repayable at their principal amount, together with any accrued but unpaid interest (including Default Interest) (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

(i) a default is made in the payment of any principal, premium (if any) or interest due in respect of the Bonds and, in the case of a failure to pay interest, such failure continues for more than five business days (as defined in Condition 7(F));

(ii) any failure by the Issuer to deliver the Shares as and when the Shares are required to be delivered following conversion of Bonds and such failure continues for more than five business days (as defined in Condition 7(F));

(iii) the Issuer does not perform or comply with one or more of its other obligations in the Bonds or the Trust Deed, which default is incapable of remedy or, if in the reasonable opinion of the Trustee capable of remedy, is not remedied within 20 days after written notice of such default shall have been given to the Issuer by the Trustee;

(iv) the Issuer or any Principal Subsidiary (as defined below in this Condition 10) is (or is deemed by law or a court of applicable jurisdiction to be) insolvent or bankrupt or unable to pay its debts when due, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any Principal Subsidiary;

(v) (a) any other present or future indebtedness (whether actual or contingent) of the Issuer or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes, due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, *provided that* the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(v) have occurred equals or exceeds U.S.$20 million or its equivalent in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity;

(vi) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or turnover of the Issuer or any Principal Subsidiary and is not discharged or stayed within 30 days of having been so levied, enforced or sued out;

(vii) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or any Principal Subsidiary (except for a members' voluntary solvent winding-up of any such Principal Subsidiary), or the Issuer or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of any such Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or any Principal Subsidiary;

(viii) an encumbrancer takes possession or an administrative or other receiver, manager, administrator or other similar officer is appointed of the whole or a material part of the property, assets or turnover of the Issuer or any Principal Subsidiary (as the case may be) and is not discharged or stayed within 30 days;

(ix) any step is lawfully taken by any competent governmental authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any Principal Subsidiary;

(x) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, the Trust Deed and the Agency Agreement, (b) to ensure that those obligations are legally

binding and enforceable against the Issuer and (c) to make the Bonds, the Trust Deed and the Agency Agreement admissible in evidence in the courts of Bermuda, Hong Kong or England is not taken, fulfilled or done;

(xi) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds, the Trust Deed or the Agency Agreement; or

(xii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 10(iv), 10(vi), 10(vii), 10(viii) or 10(ix),

(the events in Conditions 10(i) to 10(xii) (both inclusive) each being an "**Event of Default**").

For the purposes of these Conditions:

"**Principal Subsidiary**" means any Subsidiary of the Issuer:

(a) whose gross revenues or (in the case of a Subsidiary which has subsidiaries) consolidated gross revenues as shown by its latest audited profit and loss account exceeds 10 per cent. of the consolidated gross revenues as shown by the then latest published audited consolidated profit and loss account of the Issuer and its Subsidiaries, including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of gross revenues of Subsidiaries not consolidated and of associated companies (including jointly controlled entities);

(b) whose profit before income tax ("**pre-tax profit**") or (in the case of a Subsidiary which has subsidiaries) consolidated pre-tax profit as shown by its latest audited profit and loss account exceeds 10 per cent. of the consolidated pre-tax profit as shown by the then latest published audited consolidated profit and loss account of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of associated companies (including jointly controlled entities);

(c) whose gross assets or (in the case of a Subsidiary which has subsidiaries) consolidated gross assets (as consolidated into the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries) as shown by its latest audited balance sheet exceeds 10 per cent. of the consolidated gross assets of the Issuer and its Subsidiaries as shown by the then latest published audited consolidated balance sheet of the Issuer and its Subsidiaries, including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of gross assets of Subsidiaries not consolidated; or

(d) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary of the Issuer, *provided that*, in such a case, the Subsidiary so transferring its assets and undertaking shall thereupon cease to be a Principal Subsidiary of the Issuer.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary of the Issuer in respect of any of the events referred to in Conditions 10(i) to 10(xii) (both inclusive) if its gross revenues, pre-tax profit or gross assets (or consolidated gross revenues, consolidated pre-tax profit or consolidated gross assets in the case of a Subsidiary which has subsidiaries) when aggregated with the gross revenues, pre-tax profit or gross assets of each other Subsidiary of the Issuer which is not itself a Principal Subsidiary (or consolidated gross revenues, consolidated pre-tax profit or consolidated gross assets in the case of a Subsidiary which has subsidiaries) with respect to which any of the events referred to Conditions

10(i) to 10(xii) (both inclusive) has occurred during the preceding 12 months, exceeds 10 per cent. of the consolidated gross revenues, consolidated pre-tax profit or consolidated gross assets of the Issuer and its Subsidiaries.

A certificate in English signed by any Authorised Signatory of the Issuer that, in the opinion of the Issuer, a Subsidiary is or is not or was or was not or would or would not have been, pursuant to the immediately preceding paragraph, treated as, at any particular time, a Principal Subsidiary of the Issuer shall, in the absence of manifest error, be conclusive and binding on all parties concerned. The Trustee shall be entitled to rely conclusively on such certificate without any further investigation and without liability to the Issuer, any Bondholder or any other person. References to the audited profit and loss account and balance sheet of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated profit and loss account and consolidated balance sheet of such Subsidiary and its subsidiaries, if such are required by law to be produced, or if no such profit and loss account or balance sheet is required by law to be produced, to a pro forma profit and loss account or balance sheet, prepared for the purpose of such certificate. References to "gross revenues", "pre-tax profit", "gross assets", consolidated or non-consolidated, shall include references to equivalent items in the relevant accounts as extracted from the financial statements of the Issuer audited by an internationally recognised firm of accountants.

11. CONSOLIDATION, AMALGAMATION OR MERGER

The Issuer will not consolidate with, amalgamate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any entity unless:

(i) the entity formed by such amalgamation or consolidation or into which the Issuer is merged or which acquired or leased such property and assets of the Issuer shall be a corporation organised and validly existing under the laws of its place of incorporation, and shall, by a deed supplemental to the Trust Deed and an agency agreement supplemental to the Agency Agreement and such other undertakings or documents as the Trustee may in its discretion require, executed and delivered in form and content acceptable to the Trustee in its discretion, expressly assume all of the obligations of the Issuer in respect of all of the Bonds and under the Trust Deed and the Agency Agreement and indemnify each Bondholder against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal with respect to the payment of principal and premium (if any) on the Bonds;

(ii) the terms of the supplemental Trust Deed referred to in Condition 11(i) above will provide that (a) the holder of each Bond then outstanding will have the right (during the Conversion Period) to convert such Bond into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal by a holder of the number of Shares which would have become liable to be issued upon conversion of such Bond immediately prior to such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal (and such supplemental Trust Deed will provide for adjustments on terms as nearly equivalent as may be practicable to the adjustments provided for in Condition 6(C)), (b) the rights of Bondholders shall not be adversely affected as a result of such transaction and (c) that there shall be no right to exercise a redemption of the Bonds under Condition 8(C) as a result of any change in the domicile or place of incorporation of the Issuer or of the successor entity not being incorporated in Bermuda or Hong Kong and the provisions of Condition 9 shall also be supplemented or modified as the Trustee in its discretion deems appropriate; and

(iii) immediately after giving effect to such transaction, no default or event of default (including an Event of Default) shall have occurred and be continuing.

If any two directors of the entity formed by such amalgamation or consolidation or into which the Issuer is merged or which acquired or leased such property and assets of the Issuer provide a certificate in English certifying that it will be solvent immediately after assuming all obligations of the Issuer pursuant to this Condition 11, the Trustee shall be entitled to rely conclusively on such a certificate without the need to have regard to such entity's financial condition, profits or prospects or compare them with those of the Issuer and shall not be responsible or liable to such entity, the Issuer, the Bondholders or any other person for any of the aforesaid.

The above provisions of this Condition 11 will apply, *mutatis mutandis*, to any subsequent consolidations, amalgamations, mergers, sales or transfers.

12. PRESCRIPTION

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal or premium (if any)) and five years (in the case of Default Interest) from the relevant date (as defined in Condition 9) in respect thereof.

13. ENFORCEMENT

At any time after the Bonds have become due and repayable, the Trustee may but shall not be obliged to, at its discretion and without further notice, take any actions and/or steps and/or institute any proceedings against the Issuer as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, the Agency Agreement and/or these Conditions but it will not be bound to take any such actions and/or steps and/or institute such proceedings unless (i) it shall have been so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall have been first indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

14. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

A. Meetings

The Trust Deed contains provisions for convening meetings of Bondholders (including meetings held by way of video or audio conference call) to consider any matter affecting their interests, including, without limitation, the sanctioning by Extraordinary Resolution of the Bondholders of a modification of the Bonds or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution of the Bondholders will be two or more persons holding or representing over 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting for a lack of quorum, two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal, premium (if any) or interest on the Bonds or the Equivalent Amount payable

in respect of the Bonds, (iii) to change the denomination or currency of payment of the Bonds, (iv) to modify (except for a unilateral and unconditional reduction in the Conversion Price by the Issuer) or cancel the Conversion Rights, or (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution of the Bondholders or sign a resolution in writing, in which case the necessary quorum for passing an Extraordinary Resolution of the Bondholders will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting (for a lack of quorum) not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution of the Bondholders passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting.

The Trust Deed provides that (A) a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding or (B) a resolution passed by way of electronic consents through Euroclear and Clearstream (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding shall each be as valid and effective as a duly passed Extraordinary Resolution of the Bondholders.

B. Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 14(A) above or in the Trust Deed) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, any of these Conditions or any of the provisions of the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders, and (ii) any modification to the Bonds, any of these Conditions or any of the provisions of the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and all future Bondholders and, unless the Trustee agrees otherwise, any such modifications, waivers and authorisations will be notified by the Issuer to the Bondholders in accordance with Condition 18 as soon as practicable thereafter. The Trustee may request, and may rely conclusively on, any legal opinion and/or certificate signed by an Authorised Signatory of the Issuer concerning compliance with the above conditions in respect of any such modification, authorisation, waiver, amendment, supplement or replacement.

In the event of the passing of an Extraordinary Resolution of the Bondholders in accordance with Condition 14(A) or a modification, waiver or authorisation in accordance with Condition 14(B), the Issuer will procure that the Bondholders be notified in accordance with Condition 18.

C. Interests of Bondholders

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those in relation to any proposed modification, authorisation or waiver), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of, or be responsible for, the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and Condition 11 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

D. Certificates/Reports/etc.

The Trustee and the Agents may rely conclusively, and may act or refrain from acting, in each case, without liability to Bondholders, the Issuer or any other person on any report, confirmation, information or certificate from or any opinion or advice of any legal advisers, accountants, auditors, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Agents may accept and shall be entitled to rely conclusively on any such report, confirmation, certificate, information, opinion or advice and, in such event, such report, confirmation, certificate, information, opinion or advice shall be binding on the Issuer and the Bondholders. Neither the Trustee nor the Agents shall be responsible or liable to the Issuer, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on such report, confirmation, certificate, information, opinion or advice.

15. REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity and/or security and/or pre-funding as the Issuer and/or the relevant Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the date of issue and the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Bonds. Such further bonds to be consolidated and form a single series with the Bonds shall be constituted by a deed supplemental to the Trust Deed.

17. CURRENCY INDEMNITY

A. Currency of Account and Payment

Hong Kong dollars (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds and the Trust Deed, including damages.

B. Extent of Discharge

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise), by the Trustee or any Bondholder in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

C. Indemnity

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Bonds or the Trust Deed, the Issuer will indemnify the recipient on demand against any loss sustained by it as a result. In any event, the Issuer will indemnify the recipient on demand against the cost of making any such purchase.

D. Indemnity Separate

The indemnity in this Condition 17 constitutes a separate and independent obligation from the other obligations under the Bonds and the Trust Deed, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and/or any Bondholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Bonds and/or the Trust Deed or any other judgment or order.

18. NOTICES

All notices to Bondholders shall be validly given if mailed (at the cost of the Issuer) to them at their respective addresses in the register of Bondholders maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal)* and so long as the Bonds are listed on the Hong Kong Stock Exchange and if the listing rules of the Hong Kong Stock Exchange so require, published in a leading newspaper having general circulation in Hong Kong (which is expected to be *South China Morning Post)*. Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the Global Certificate), notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, and such notice shall be deemed to be received by the Bondholders on the date of delivery of such notice to Euroclear or Clearstream or such Alternative Clearing System.

19. AGENTS

The names of the initial Principal Agent and the initial Registrar and their respective specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents. The Issuer will at all times maintain (i) a Principal Agent, (ii) a Conversion Agent and (iii) a Registrar which will maintain the Register outside of Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent and of any change in the identity of the Registrar, the Conversion Agent or the Principal Agent will be given by the Issuer to the Bondholders as soon as reasonably practicable.

20. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation, provisions relieving it from taking any steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Bonds and payment or taking other actions and/or steps and/or instituting proceedings unless first indemnified and/or secured and/or pre-funded to its satisfaction and

entitling it to be paid or reimbursed for any fees, costs, expenses (including legal fees and expenses) and indemnity payments and for liabilities incurred by it in priority to the claims of Bondholders. The Trustee is entitled to (i) enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer (including any of its Affiliates) without accounting for any profit and to act as trustee for the Bondholders of any other securities issued by or relating to, the Issuer and any entity related to the Issuer, (ii) exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (iii) retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction, request or resolution of the Bondholders. The Trustee shall be entitled to rely conclusively on any instruction, direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction or certification, the Trustee is entitled, prior to its exercising any such discretion or power, taking or refraining from taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution or clarification of any directions, and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all actions, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including but not limited to legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or clarification of any directions or in the event that no such directions or clarification are received.

None of the Trustee or any of the Agents shall be responsible for the performance (financial or otherwise) by the Issuer or any other person appointed by the Issuer in relation to the Bonds and/or the Shares of the duties and obligations on their part expressed in respect of the same and, unless it has received written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

None of the Trustee or any Agent shall have any obligation to monitor compliance by the Issuer or any other persons with the provisions of the Trust Deed, the Agency Agreement or these Conditions or whether an Event of Default or a Potential Event of Default (as defined in the Trust Deed) or a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred, and shall not be liable to the Bondholders, the Issuer or any other person for not doing so.

The Trustee and the Agents may rely conclusively, and may act or refrain from acting, in each case, without liability to Bondholders, the Issuer or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Agents may accept and shall be entitled to rely conclusively on any such report, confirmation, certificate, information, advice or opinion and, in such event, such report, confirmation, certificate, information, advice or opinion shall be binding on the

Issuer and the Bondholders. The Trustee and the Agents shall not be responsible or liable to the Issuer, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, confirmation, certificate, information, advice or opinion.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and its Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Without prejudice to the rights of the Bondholders pursuant to and as contemplated in Condition 13, no person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

22. GOVERNING LAW AND SUBMISSION TO JURISDICTION

A. Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

B. Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and/or the Trust Deed and/or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with the Bonds and/or the Trust Deed and/or the Agency Agreement ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

C. Agent for Service of Process

Pursuant to the Trust Deed, the Issuer has irrevocably agreed to receive service of process at its principal place of business in Hong Kong at Room 3701, 37/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong in any Proceedings in Hong Kong in connection with any of the Bonds, the Agency Agreement and the Trust Deed. If for any reason the Issuer ceases to have an address in Hong Kong, the Issuer irrevocably agrees to forthwith appoint a process agent in Hong Kong and to deliver to the Trustee a copy of the process agent's acceptance of that appointment within 30 days of such cessation. Nothing shall affect the right to serve process in any manner permitted by law.

D. Waiver of Immunity

The Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence.

THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this offering circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

MEETINGS

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each HK$1,000,000 for which the Global Certificate is issued.

CANCELATION

Cancelation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

CONVERSION

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System (as defined in the Global Certificate)), the Conversion Right attaching to a Bond in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more conversion notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) (as defined in the Agency Agreement) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

PAYMENT

Payments of principal and premium (if any) in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

NOTICES

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions of the Bonds.

BONDHOLDER'S REDEMPTION

The Bondholder's redemption option in Conditions 8(D) and 8(E) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

REDEMPTION AT THE OPTION OF THE ISSUER

The option of the Issuer provided for in Conditions 8(B) and 8(C) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the relevant Conditions.

EXCHANGE OF BONDS REPRESENTED BY GLOBAL CERTIFICATES

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any alternative clearing system on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

TRANSFERS

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

TRUSTEE'S POWERS

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

DESCRIPTION OF THE SHARES

The Company was incorporated in Bermuda as an exempted company with limited liability on February 24, 1997 under the Bermuda Companies Act and, therefore, operates subject to Bermuda law. The Company's Memorandum of Association and the Bye-laws (the "Bye-laws") comprise its constitution. The Bye-laws were adopted on June 18, 2024.

Set out below is a summary of certain provisions of the Memorandum of Association and the Bye-laws of the Company and certain other information concerning the Company. Such summary does not purport to be complete and is qualified in its entirety by reference to the full Memorandum of Association and the full Bye-laws.

SHARES

Class of Shares and Authorized Capital

The share capital of the Company consists of ordinary shares. The Company's authorized share capital is HK$2,000,000,000.00 divided into 100,000,000,000 shares of Hong Kong dollars 0.02 each.

Share Certificates

Every person whose name is entered, upon an allotment of shares, as a member in the register shall be entitled, without payment, to receive one certificate for all such shares of any one class or several certificates each for one or more of such shares of such class upon payment for every certificate after the first of such reasonable out-of-pocket expenses as the Board from time to time determines.

Every share certificate shall be issued under the seal or a facsimile thereof or with the seal printed thereon and shall specify the number and class and distinguishing numbers (if any) of the shares to which it relates, and the amount paid up thereon and may otherwise be in such form as the Directors may from time to time determine. The seal of the Company may only be affixed or imprinted to a share certificate with the authority of the Directors, or be executed under the signature of appropriate officials with statutory authority, unless otherwise determined by the Directors. No certificate shall be issued and representing shares of more than one class. The Board may by resolution determine, either generally or in any particular case or cases, that any signatures on any such certificates (or certificates in respect of other securities) need not be autographic but may be affixed to such certificates by some mechanical means or may be printed thereon or that such certificates need not be signed by any person.

DIRECTORS

Power to Allot and Issue Shares and Warrants

Subject to the Bermuda Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares shall be issued at a discount to their nominal value. Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special

formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

The Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Power to Dispose of the Assets of the Company or Any Subsidiary

While there are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Bermuda Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

Compensation or Payments for Loss of Office

The Board shall obtain the approval of the Company in general meeting before making any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

Loans and Provision of Security for Loans to Directors

Under the Bermuda Companies Act, subject to limited exceptions, it shall not be lawful for the Company to make a loan to any Director or to enter into any guarantee or provide any security in connection with a loan made to any Director by any other person without the consent of any member or members holding in the aggregate not less than nine-tenths of the total voting rights of all the members having the right to vote at any meeting of the members.

Disclosure of Interest in Contracts with the Company or Any of its Subsidiaries

A Director may:

(a) hold any other office or place of profit with the Company (except that of the auditors of the Company (the "**Auditor**")) in conjunction with his office of Director for such period and, subject to the relevant provisions of the Bermuda Companies Act, upon such terms as the Board may determine. Any remuneration (whether by way of salary, commission, participation in profits or otherwise) paid to any Director in respect of any such other office or place of profit shall be in addition to any remuneration provided for by or pursuant to any other Bye-law;

(b) act by himself or his firm in a professional capacity for the Company (otherwise than as Auditor) and he or his firm may be remunerated for professional services as if he were not a Director;

(c) continue to be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise and (unless otherwise agreed) no such Director shall be accountable for any remuneration, profits or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or

other officer or member of or from his interests in any such other company. Subject as otherwise provided by the Bye-laws the Directors may exercise or cause to be exercised the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favor of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) or voting or providing for the payment of remuneration to the director, managing director, joint managing director, deputy managing director, executive director, manager or other officers of such other company and any Director may vote in favor of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

Subject to the Bermuda Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall disclose the nature of his interest in any contract or arrangement in which he is interested in accordance with the Bye-laws.

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his close associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

(i) the giving of any security or indemnity either:

  (a) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

  (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iii) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

  (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(iv) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

Each Director shall be entitled to be repaid or prepaid all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law.

Appointment, Retirement and Removal

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorization by the members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed so shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

A Director is not required to hold any shares of the Company by way of qualification and a Director who is not a member shall be entitled to receive notice of and to attend and speak at any general meeting of the Company and of all classes of shares of the Company.

The members may, at any general meeting convened and held in accordance with the Bye-laws, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in the Bye-laws or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director fourteen (14) days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for his removal.

The Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall never be less than two (2).

In addition to the foregoing, the office of a Director shall be vacated if he:

(a) resigns his office by notice in writing delivered to the Company at the registered office or tendered at a meeting of the Board;

(b) becomes of unsound mind or dies;

(c) without special leave of absence from the Board, is absent from meetings of the Board for six consecutive months, and his alternate Director, if any, shall not during such period have attended in his stead and the Board resolves that his office be vacated;

(d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(e) is prohibited by law from being a Director; or

(f) ceases to be a Director by virtue of any provision of the relevant laws or is removed from office pursuant to the Bye-laws.

No Director shall be required to vacate office or be ineligible for re-election or re-appointment as a Director, and no person shall be ineligible for appointment as a Director, by reason only of his having attained any particular age.

The Board may from time to time appoint any one or more of its body to be a managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments.

Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Bermuda Companies Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Register of Directors and Officers

Pursuant to the Bermuda Companies Act, the Board shall keep in one or more books at the registered office a register of directors and officers and shall enter therein the following particulars with respect to each Director and officer, that is to say:

(a) in the case of an individual, his or her present first name, surname and address; and

(b) in the case of a company, its name and registered office.

The Board shall within a period of fourteen (14) days from the occurrence of:

(a) any change among the Directors and officers; or

(b) any change in the particulars contained in the register of directors and officers, cause to be entered on the register of directors and officers the particulars of such change.

The register of directors and officers shall be open to inspection by members of the public without charge at the registered office between 10:00 a.m. and 12:00 noon during business hours.

Proceedings of Our Board of Directors

The Board may meet for the despatch of business, adjourn or postpone and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of any equality of votes the chairman of the meeting shall have an additional or casting vote.

VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Subject to the Bermuda Companies Act, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of the Bye-laws relating to general meetings of the Company shall, *mutatis mutandis*, apply, but so that:

(a) the necessary quorum (including at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorized representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class; and

(b) every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking *pari passu* therewith.

ALTERATION OF CAPITAL

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Bermuda Companies Act:

(a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;

(b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the directors may determine;

(d) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

(e) change the currency denomination of its share capital;

(f) make provision for the issue and allotment of shares which do not carry any voting rights; and

(g) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so canceled.

The Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its issued share capital or, save for the use of share premium as expressly permitted by the Bermuda Companies Act, any share premium account or other undistributable reserve.

SPECIAL RESOLUTION — MAJORITY REQUIRED

In accordance with the Bye-laws, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at an annual general meeting of which not less than 21 clear days' notice has been duly given or at a general meeting of which not less than 14 clear days' notice has been duly given and includes a special resolution in writing (in one or more counterparts) signed by all of the members of the Company being entitled to receive notice of and to attend and vote at a general meeting of the Company (or being corporations by their duly appointed representatives) and the effective date of the special resolution so adopted shall be the date on which it was signed by the last member to sign.

Under the Bye-laws, an ordinary resolution is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives at a general meeting held in accordance with the Bye-laws and includes an ordinary resolution approved in writing by all the members of the Company as aforesaid.

Under the Bye-laws, a resolution shall be an extraordinary resolution when it has been passed by a majority of not less than two-thirds of votes cast by such members as, being entitled so to do, vote in person or, in the case of members as are corporations, by their duly authorised representative or, where proxies are allowed, by proxy at a general meeting held in accordance with the Bye-laws.

VOTING RIGHTS (GENERALLY, ON A POLL AND RIGHT TO DEMAND A POLL)

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A resolution put to the vote of a meeting shall be decided by way of a poll save that in the case of a physical meeting, the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. For purposes of the foregoing, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by the Company to its members; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all members a reasonable opportunity to express their views. Votes may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

In the case of a physical meeting where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded:

(a) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or

(b) by a member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(c) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

All questions submitted to a meeting shall be decided by a simple majority of votes except where a greater majority is required by the Bye-laws or by the Bermuda Companies Act. In the case of an equality of votes, the chairman of such meeting shall be entitled to a second or casting vote in addition to any other vote he may have.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

ANNUAL GENERAL MEETINGS

Subject to the Bermuda Companies Act, an annual general meeting of the Company must be held in each financial year other than the financial year in which its statutory meeting is convened and such annual general meeting must be held within six (6) months after the end of the Company's financial year (unless a longer period would not infringe the Listing Rules).

ACCOUNTS AND AUDIT

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Bermuda Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Bermuda Companies Act, at such other place or places as the Board decides and shall always be open to inspection by the Directors. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorized by the Board or the Company in general meeting.

Subject to the Bermuda Companies Act and Bye-laws, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Bermuda Companies Act provided that a copy of such documents shall not be required to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures.

To the extent permitted by and subject to due compliance with all applicable laws, rules and regulations, including, without limitation, the Listing Rules, and to obtaining all necessary consents, if any, required thereunder, the requirements in the preceding paragraph shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the relevant laws, summarized financial statements derived from the Company's annual accounts and the directors' report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

The aforesaid requirement to send to a person the documents or a summary financial report shall be deemed satisfied where, in accordance with all applicable laws, rules and regulations, including, without limitation, the Listing Rules, the Company publishes copies of the aforesaid documents and, if applicable, a summary financial report, on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents.

Subject to the Bermuda Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company.

NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days. All other general meetings (including a special general meeting) must be called by notice of not less than fourteen (14) clear days.

Any Notice or document (including any "corporate communication" and "actionable corporate communication" within the meaning ascribed thereto under the Listing Rules), whether or not, to be given or issued under these Bye-laws from the Company shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or electronic communication and, subject to compliance with the Listing Rules, any such Notice and document may be given or issued by the following means:

(a) by serving it personally on the relevant person;

(b) by sending it through the post in a prepaid envelope addressed to such member at his registered address as appearing in the principal register or at any other address supplied by him to the Company for the purpose;

(c) by delivering or leaving it at such address as aforesaid;

(d) by placing an advertisement in appointed newspapers or other publication and where applicable, or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Hong Kong Stock Exchange;

(e) by sending or transmitting it as an electronic communication to the relevant person at such electronic address as he may provide under the Bye-laws, without the need for additional consent or notification;

(f) by publishing it on the Company's website or the website of the Hong Kong Stock Exchange without the need for any additional consent or notification;

(g) by sending or otherwise making it available to such person through such other means to the extent permitted by and in accordance with the applicable laws, rules and regulations.

If permitted by the Listing Rules, a general meeting may be called by shorter notice if it is so agreed, in the case of an annual general meeting, by all the members entitled to attend and vote thereat and, in the case of any other meeting, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent. (95%) of the total voting rights at the meeting of all the members.

The notice shall specify (a) the time and date of the meeting (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by the Board pursuant to the Bye-laws, the principal place of the meeting, (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such

details will be made available by the Company prior to the meeting, and (d) particulars of resolutions to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such.

All business shall be deemed special that is transacted at a special general meeting, and also all business that is transacted at an annual general meeting, with the exception of sanctioning dividends, the reading, considering and adopting of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet, the election of Directors and appointment of Auditors and other officers in the place of those retiring, the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to the Directors.

TRANSFER OF SHARES

Subject to the Bye-laws, any member may transfer all or any of his shares in any manner permitted by and in accordance with the Listing Rules or by an instrument of transfer in the usual or common form or in a form prescribed by the Hong Kong Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit in its discretion to do so. The Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration, and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Bermuda Companies Act.

The board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four (4) joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless:

(a) a fee of such maximum sum as the Hong Kong Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof;

(b) the instrument of transfer is in respect of only one class of share;

(c) the instrument of transfer is lodged at the registered office or such other place in Bermuda at which the register is kept in accordance with the Bermuda Companies Act or the Registration registered office (as the case may be) accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and

(d) if applicable, the instrument of transfer is duly and properly stamped.

The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine after notice has been given by announcement or by electronic communication or by advertisement in any newspapers in accordance with the requirements of any Hong Kong Stock Exchange or by any means in such manner as may be accepted by the Hong Kong Stock Exchange to that effect.

POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that such power is exercisable by the board upon such terms and conditions as it thinks fit, however, the exercise of such power is subject to the Bermuda Companies Act, the Listing Rules and/or the rules of any competent regulatory authority.

POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES

There are no provisions in the Memorandum of Association or the Bye-laws of the Company relating to ownership of shares in the Company by a subsidiary.

DIVIDENDS AND OTHER METHODS OF DISTRIBUTIONS

Please refer to the section headed "*Dividends and Dividend Policy*" above in this offering circular.

PROXIES

Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorized to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

CALLS ON SHARES AND FORFEITURE OF SHARES

Subject to the Bye-laws and to the terms of allotment, the Board may from time to time make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium), and each member shall (subject to being given at least

fourteen (14) clear days' notice specifying the time and place of payment) pay to the Company as required by such notice the amount called on his shares. A call may be extended, postponed or revoked in whole or in part as the Board determines but no member shall be entitled to any such extension, postponement or revocation except as a matter of grace and favor.

If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board may determine, but the Board may in its absolute discretion waive payment of such interest wholly or in part.

If a call remains unpaid after it has become due and payable the Board may give to the person from whom it is due not less than fourteen (14) clear days' notice:

(a) requiring payment of the amount unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment; and

(b) stating that if the notice is not complied with the shares on which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect, and such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share but not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but nevertheless shall remain liable to pay the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares, with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board determines. The Board may enforce payment thereof if it thinks fit, and without any deduction or allowance for the value of the forfeited shares, at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares.

INSPECTION OF REGISTER OF MEMBERS

The principal register and branch register of members, as the case may be, shall be open to inspection between 10 a.m. and 12 noon during business hours by members of the public without charge at the registered office or such other place at which the principal register is kept in accordance with the Bermuda Companies Act.

The register including any overseas or local or other branch register of members may, after notice has been given by advertisement in an appointed newspaper and where applicable, any other newspapers in accordance with the requirements of any Hong Kong Stock Exchange or by any means in such manner as may be accepted by the Hong Kong Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.

QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS

No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business.

Two (2) members entitled to vote and present in person or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorised representative or proxy, shall form a quorum for all purposes.

In respect of a separate class meeting (including at an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons (or in the case of a Member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

RIGHTS OF MINORITIES IN RELATION TO FRAUD OR OPPRESSION

There are no provisions in the Memorandum of Association or the Bye-laws of the Company concerning the rights of minority members in relation to fraud or oppression.

PROCEDURE ON LIQUIDATION

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Bermuda Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

UNTRACEABLE MEMBERS

The Company may cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered.

The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a member who is untraceable, but no such sale shall be made unless:

(a) all checks or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorized by the Bye-laws have remained uncashed;

(b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and

(c) the Company, if so required by the Listing Rules, has given notice to, and caused advertisement in newspapers in accordance with the requirements of, the Hong Kong Stock Exchange to be made of its intention to sell such shares in the manner required by the Hong Kong Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Hong Kong Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the "relevant period" means the period commencing twelve (12) years before the date of publication of the advertisement referred to in sub-paragraph (c) above and ending at the expiry of the period referred to in that paragraph.

SUBSCRIPTION RIGHTS RESERVE

Pursuant to the Bye-laws, provided that it is not prohibited by and is otherwise in compliance with the Bermuda Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the nominal value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

PRE-EMPTION RIGHTS

The Bye-laws do not contain any pre-emptive rights in respect of the issue of shares. However, the Directors may not, without the prior approval of the Company in a general meeting, exercise any power of the Company to allot shares otherwise than under an offer made pro rata by the Company to its members. As a matter of practice, the Company adopts in each year a general mandate authorizing the directors to allot and issue and otherwise dispose of shares, during a specified period, up to the level, currently 20% of the issued share capital in issue at the time of passing the resolution, permitted by the Listing Rules without the requirement for any such authority. Such a mandate was given at the annual general meeting of the Company's members on June 18, 2024 and can be utilized at any time until the Company's next annual general meeting.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions in effect as at the date hereof, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Prospective investors considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares. Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

BERMUDA

Bermuda Taxation

Under current Bermuda legislation, there is no income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by us or any holders of the Bonds who are not ordinarily resident in Bermuda.

Moreover, we have obtained from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act, 1966, an assurance that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035 be applicable to us or to any of our operations or our shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by us in respect of real property owned or leased by us in Bermuda.

Stamp Duty

As an exempted company, we are exempt from all stamp duties except on transactions involving "Bermuda property". This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies. None of us or the holders of the Bonds, as the case may be (other than persons ordinarily resident in Bermuda), are subject to stamp duty on the issue or transfer of the Bonds.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong on payments of principal or distribution on the Bonds or in respect of any capital gains arising from the sale or conversion of the Bonds.

No tax is payable in Hong Kong by withholding or otherwise in respect of payments of dividends on the Shares.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets in Hong Kong).

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied, distribution on the Bonds, to the extent treated as interest, will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

In the case of a financial institution (as defined in the Inland Revenue Ordinance), interest on the Bonds will be subject to Hong Kong profits tax where such interest arises through or from the carrying on by the financial institution of its business in Hong Kong.

In the case of a corporation (other than a financial institution), interest on the Bonds will be subject to Hong Kong profits tax where such interest arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Hong Kong profits tax may be chargeable on revenue gains arising from the sale, disposal, conversion or redemption of the Bonds if such gains are received by or accrued to a financial institution and arise through or from the carrying on by the financial institution of its business in Hong Kong. Such gains received by or accrued to a corporation (other than a financial institution) arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or other redemption of the Bonds may be subject to Hong Kong profits tax. Where such gains are received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong, such gains may be subject to Hong Kong profits tax if the gain has a Hong Kong source. The source of such gains will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of. Trading gains arising from the sale or disposal of the Shares may be chargeable to Hong Kong profits tax where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Notwithstanding the above, interest income or gains from the sale or disposal of Bonds derived from outside Hong Kong may be deemed to have a Hong Kong source if it is received (or deemed to be received) in Hong Kong by a member of a MNE Group (as defined under the Inland Revenue Ordinance) carrying on a trade, profession or business in Hong Kong and which does not carry on specified economic activities (as defined under the Inland Revenue Ordinance) in Hong Kong.

Hong Kong has also introduced the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024 to implement a domestic minimum top-up tax. For all fiscal years commencing on or after January 1, 2025, income of a constituent entity of an in-scope MNE group that is located in Hong Kong may also be subject to top-up tax.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue, nor will Hong Kong stamp duty be chargeable on the transfer or conversion of a Bond (for so long as the register of holders of the Bonds is maintained outside Hong Kong).

Hong Kong stamp duty is payable on any purchase and sale of Shares. The duty is charged on each of the purchaser and the seller at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.2% is currently payable on

a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5. Where a sale or purchase of Shares is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

PRC

Taxation on Interest

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions but whose "de facto management bodies" are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25% in respect of their taxable income sourced from both within and outside China. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management bodies" of the Issuer are within the territory of the PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25% on its taxable income from sources both within and outside PRC.

The EIT Law, and its implementation regulations, impose withholding tax at the rate of 10%, or a lower rate if tax treaty benefits are available, on PRC-source income paid to a "non-resident enterprise" that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Issuer is considered a PRC resident enterprise by the PRC tax authorities in the future, interest payable to non-resident enterprise holders of the Bonds may be treated as income derived from sources within China and be subject to such PRC withholding tax. Further, in accordance with the Individual Income Tax Law of the PRC which was amended on August 31, 2018 and its implementation regulations which was amended in December 18, 2018, if the Issuer is considered a PRC tax resident enterprise, interest payable to non-resident individual holders of the Bonds may be treated as income derived from sources within China and be subject to a 20% individual income tax; accordingly, if the Issuer is treated as a PRC tax resident enterprise, the Issuer would be obliged to withhold such individual income tax on payments of interests to non-resident individual holders of the Bonds. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified holders of the Bonds.

As of the date of this offering circular, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, non-resident enterprise holders of the Bonds will not be subject to income tax imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest made thereon. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Taxation on Capital Gains

The EIT Law and its implementation regulations impose a tax at the rate of 10%, or a lower rate if tax treaty benefits are available, on income derived from sources within the PRC realized by a "non-resident enterprise" that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant gain is not effectively connected therewith. The Individual Income Tax Law and its implementation regulations impose a tax at the rate of 20% on income derived from sources within the PRC realized by non-resident individuals. If the Issuer is

considered a PRC resident enterprise by the PRC tax authorities in the future, and if the capital gains realized by holders of the Bonds are treated as income derived from sources within China, such gains will be subject to PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified non-resident holders of the Bonds, if both the Issuer and the investors qualify for benefits under the applicable tax treaty.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Bond to the extent that the register of holders of the Bonds is maintained outside the PRC. The Issuer intends to maintain the register of holders of the Bonds outside the PRC.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement dated April 14, 2025 (the "Subscription Agreement") with the Joint Lead Managers, pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, and the Joint Lead Managers agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds.

The Issuer has agreed in the Subscription Agreement that neither the Issuer nor any of its Subsidiaries, affiliated entities or affiliates over which it exercises management or voting control, nor any person acting on behalf of any of them will, for a period from the date of the Subscription Agreement up to 60 days after the Issue Date (both dates inclusive), without the prior written consent of the Joint Lead Managers (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing; except for (i) the Bonds and any new Shares issued pursuant to the conversion provisions of the Bonds; and (ii) the issuance of any Shares under the Issuer's publicly disclosed share option schemes; and (iii) the allotment and issuance of any new Shares pursuant to the share subscription agreement dated January 27, 2025 entered into between the Issuer and TFI Investment Fund SPC in relation to the subscription of 490,506,329 subscription shares.

In addition, Mr. Ke Liming has executed a lock-up undertaking dated April 14, 2025. Mr. Ke Liming has undertaken that none of himself, nor any other subsidiaries, affiliated entities or affiliates over which he exercises management or voting control, nor any person acting on his behalf will, for a period from the date of the lock-up undertaking up to 90 calendar days after the Issue Date (both dates inclusive), without the prior written consent of the Joint Lead Managers (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Lock-up Shares or securities of the same class as the Bonds or the Lock-up Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Lock-up Shares or securities of the same class as the Bonds, the Lock-up Shares or other instruments representing interests in the Bonds, the Lock-up Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Lock-up Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Lock-up Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, except for the lending of up to 506,709,956 Shares indirectly owned by Mr. Ke Liming pursuant to the Securities Lending Agreements (as defined below). "Lock-up Shares" means the 2,627,381,250 Shares held by Mr. Ke Liming directly (or through nominees) or indirectly through trusts and/or companies controlled by him (or his nominees).

In connection with the proposed issue of the Bonds, each of Merrill Lynch International and Goldman Sachs International (the "**Borrowers**") as borrowers has entered into a separate securities lending agreement with Pumpkin Films Limited as shareholder of the Issuer (the "**Lender**"), dated April

14, 2025 (the "**Securities Lending Agreement**"), to allow the Lender to provide securities lending to the Borrower, for up to 506,709,956 Shares upon and subject to the terms and conditions stated in the Securities Lending Agreement.

The Subscription Agreement provides that the Issuer will indemnify the Joint Lead Managers against certain liabilities, including in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made by the Issuer.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("Banking Services or Transactions"). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and the Group for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Joint Lead Managers, their respective affiliates, or affiliates of the Issuer, may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds) and such orders and/or allocations of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer (including the Shares), and therefore, they may offer or sell the Bonds or other securities (including the Shares) otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being 'offered' should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold or enter into a broad array of investments (including bank or syndicated loans, asset swaps, credit derivatives or other derivative transactions relating to the Bonds and/or the Shares) and actively trade debt and equity securities (or related derivative securities) and financial instruments for their own account and for the accounts of their customers, or provide financing to the Issuer and/or the Group at the same time of the Offering or in secondary market transactions, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Bonds and the Shares. The Joint Lead Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Concurrent with the Offering, the Joint Lead Managers may facilitate sales of existing Shares notionally underlying the Bonds by buyers of the Bonds who wish to sell such Shares in short sales to purchasers procured by the Joint Lead Managers in order to hedge the market risk to which buyers of the Bonds are exposed with respect to the Bonds that they acquire in the Offering.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to CMIs (including Private Banks)

This notice to CMIs (including Private Banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including Private Banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or their respective group companies would be considered under the Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, Private Banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including their respective group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language set out elsewhere in this offering circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including Private Banks as the case may be) in the order book and book messages.

CMIs (including Private Banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including Private Banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, Private Banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private Banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the Code. Private Banks should be aware that placing an order on a "principal" basis may require the Joint Lead Managers to categorise it as a proprietary order and apply the "proprietary orders" requirements of the Code to such order and will require the Joint Lead Managers to apply the "rebates" requirements of the Code (if applicable) to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including Private Banks) that are subject to the Code should disclose are requested to provide the following underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

— The name of each underlying investor;

— A unique identification number for each investor;

— Whether an underlying investor has any "Associations" (as used in the Code);

— Whether any underlying investor order is a "Proprietary Order" (as used in the Code);

— Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: ib.equitylinked@clsa.com; Pj.jiuyun@list.db.com; gs-project-jiuyun@ny.email.gs.com; maccap.jiuyunhk@macquarie.com; and dg.project_jiu_yun@bofa.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including Private Banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including Private Banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the Code, and may request other CMIs (including Private Banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including Private Banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

GENERAL

The Bonds are a new issue of securities with no established trading market. Application will be made for the listing of the Bonds on the Hong Kong Stock Exchange. However, no assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this offering circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this offering circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This offering circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this offering circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

UNITED STATES

The Bonds and the New Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Lead Managers has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any Bonds except in accordance with Rule 903 of Regulation S under the Securities Act, and neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds or the New

Shares to be issued upon conversion of the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S. Each of the Joint Lead Managers has represented that it has not entered and has agreed that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Bonds, except with its affiliates or with the prior written consent of the Issuer.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area or the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the United Kingdom; or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom.

UNITED KINGDOM

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

Each of the Joint Lead Managers has represented, warranted and agreed that: (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong

(the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

CAYMAN ISLANDS

Each of the Joint Lead Managers has represented, warranted and agreed that the offer to sell the Bonds is private and not intended for the public and, further that it has not made and will not make any invitation to the public in the Cayman Islands or to residents of the Cayman Islands to offer or sell the Bonds.

BRITISH VIRGIN ISLANDS

The Bonds may not be offered in the British Virgin Islands unless the Issuer or the person offering the Bonds on its behalf is licensed to carry on business in the British Virgin Islands. The Issuer is not licensed to carry on business in the British Virgin Islands. The Bonds may be offered to British Virgin Islands business companies (from outside the British Virgin Islands) without restriction. A British Virgin Islands business company is a company formed under or otherwise governed by the BVI Business Companies Act (British Virgin Islands).

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, the Bonds have not been, directly or indirectly, offered or sold and will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws and regulations of Japan.

SINGAPORE

Each of the Joint Lead Managers has acknowledged that this offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the

conditions specified in Section 275, of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where any Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Section 309B Notification *— In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)) that the Bonds are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

PRC

Each of the Joint Lead Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and the Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

BERMUDA

Each of the Joint Lead Managers has represented, warranted and agreed that it has not marketed, offered or sold and will not market, offer or sell, any Bonds to the public in Bermuda nor any persons, firm or company regarded as a resident of Bermuda for the purposes of the Exchange Control Act 1972 and will procure that any purchaser of the Bonds from it will comply with such restriction.

Each of the Joint Lead Managers further acknowledged that this offering circular is not subject to and has not received approval from either the Bermuda Monetary Authority or the Registrar of Companies and no statement to the contrary, explicit or implicit, is authorized to be made in this regard. Additionally, the Companies Act 1981 of Bermuda generally prohibits an exempted company or overseas company from carrying on any trade or business in Bermuda without first having obtained a permit for that purpose.

SWITZERLAND

This offering circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations and neither this offering circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

NETHERLANDS

The Bonds (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither this offering circular nor any other document in relation to any offering of the Bonds (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in Regulation (EU) 2017/1129, as amended, provided that these parties acquire the Bonds for their own account or that of another qualified investor.

LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for us by Baker & McKenzie as to matters of Hong Kong law, Baker & McKenzie LLP as to matters of English law, Conyers Dill & Pearman as to matters of Bermuda law and Commerce & Finance Law as to matters of PRC law.

Certain legal matters will be passed upon for the Joint Lead Managers by Sidley Austin as to matters of English and Hong Kong law and King & Wood Mallesons as to matters of PRC law.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group as of and for the years ended December 31, 2022, 2023 and 2024 have been audited by PricewaterhouseCoopers, Certified Public Accountants.

Their reports for the years ended December 31, 2023 and 2024 contained in our annual reports for the years ended December 31, 2023 and 2024 which are included elsewhere in this Offering Circular.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the Bonds. The entering into the Trust Deed governing the Bonds and the issue of the Bonds have been authorized by a resolution of the Issuer's board of directors dated April 13, 2025. The Shares to be issued upon conversion of the Bonds are to be issued pursuant to the general mandate granted by the shareholders of the Company to the Directors of the Issuer at its annual general meeting held on June 18, 2024.

LITIGATION

There are no legal or arbitration proceedings against or affecting us, any of our subsidiaries and affiliated entities or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Bonds.

NO MATERIAL ADVERSE CHANGE

Except as may be otherwise disclosed in this Offering Circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2024 that is material in the context of the issue of the Bonds.

DOCUMENTS AVAILABLE

Copies of the latest annual reports and interim reports of the Group may be downloaded free of charge from the website of http://www.hkexnews.hk. Copies of the memorandum and articles of association of the Issuer, the Trust Deed and the Agency Agreement will be made available for inspection by the Bondholders at the Issuer's principal office in Hong Kong (being Room 3701, 37/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong) during normal business hours. Copies of the Trust Deed and the Agency Agreement will be made available for inspection by the Bondholders at the principal office of the Trustee, being at the date of this Offering Circular at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong, at all reasonable times during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays) following prior written request and proof of identity and holding satisfactory to the Trustee, so long as any of the Bonds is outstanding.

CLEARING SYSTEM AND SETTLEMENT

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream with the ISIN of XS3046827369 and Common Code of 304682736.

LEGAL ENTITY IDENTIFIER

The Legal Entity Identifier (LEI) of the Issuer is 984500976440498D1C06.

LISTING OF BONDS

Application will be made for the listing of the Bonds on the Hong Kong Stock Exchange. The Hong Kong Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Offering, the Issuer, any subsidiary, affiliated entity or associated company of the Issuer or the Bonds.

Listing of Shares

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Bonds.

Participation Rights for the Bondholders in the event of a takeover offer of the Issuer

The terms and conditions of the Bonds do not provide for participating rights for the Bondholders in the event of a takeover offer of the Issuer.

INDEX TO THE FINANCIAL STATEMENTS

The audited consolidated financial statements of the Group set out herein have been reproduced from our annual reports for the years ended December 31, 2023 and 2024. Page references used in this Offering Circular are different from page references set forth in the audited consolidated financial statements published in such annual reports. The consolidated financial statements have not been specifically prepared for inclusion in this Offering Circular.

Page references in this Offering Circular

Audited Consolidated Financial Statements of the Group as of and for the Year Ended December 31, 2023

Independent Auditor's Report F-2

Consolidated Statement of Financial Position F-7

Consolidated Statement of Comprehensive Income F-9

Consolidated Statement of Changes in Equity F-11

Consolidated Statement of Cash Flows F-13

Notes to the Consolidated Financial Statements F-14

Audited Consolidated Financial Statements of the Group as of and for the Year Ended December 31, 2024

Independent Auditor's Report F-119

Consolidated Statement of Financial Position F-124

Consolidated Statement of Comprehensive Income F-126

Consolidated Statement of Changes in Equity F-128

Consolidated Statement of Cash Flows F-130

Notes to the Consolidated Financial Statements F-131

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羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of China Ruyi Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 68 to 179, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

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Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

THE KEY AUDIT MATTER

The key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in our audit is summarised as follows:

- Impairment assessment of goodwill and operating licenses with indefinite useful life

The Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and operating licenses with indefinite useful life Refer to Notes 4(a) and 8 to the consolidated financial statements. As at 31 December 2023, there was goodwill and operating licenses with indefinite useful life with carrying amount of approximately RMB4,214,619,000 and RMB674,557,000 respectively, arisen from the acquisition of Virtual Cinema Entertainment Limited ("Virtual Cinema") in the previous year, which in aggregate represented approximately 29.3% of the total assets of the Group. Management performed impairment test of goodwill and operating licenses with indefinite useful life by comparing their carrying amounts to the recoverable amounts of relevant cash generating units ("CGUs"). Management determined the recoverable amounts of the CGUs based on value in use ("VIU"), which is the present value of the future cash flows expected to be derived from the CGUs. Based on the assessments, management considered no impairment is necessary in respect of the goodwill and operating licenses with indefinite useful life as at 31 December 2023.	Our procedures in relation to impairment assessment of goodwill and operating licenses with indefinite useful life included: • We obtained an understanding of management's internal control and process over the impairment assessment of goodwill and operating licenses with indefinitely useful life and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity; • We assessed the model used and challenged the reasonableness of key assumptions used in the impairment assessment of goodwill and operating licenses with indefinite useful life with the involvement of our internal valuation expert, such as the revenue growth rate, gross profit margin, pre-tax discount rate and terminal growth rate, by comparing these assumptions against historical performance, relevant market data and industry research;

The Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and operating licenses with indefinite useful life (Continued) We focused on this area due to the magnitude of the carrying amounts of goodwill and operating licenses with indefinite useful life and the fact that significant judgements and estimates were required by management as the VIU of the related CGUs is determined based on assumptions used in the cash flow forecast. The key assumptions adopted by management include the revenue growth rate, terminal growth rate, gross profit margin and pre-tax discount rate.	• We evaluated management's sensitivity analysis over the revenue growth rate, terminal growth rate, gross profit margin and pre-tax discount rate as adopted in the impairment test so as to assess the potential implication on the results of the impairment test for changes of assumptions within a reasonable range; and • We assessed the adequacy of related disclosures in the consolidated financial statements. Based on the work performed, we considered that the key assumptions and estimates adopted by management in the impairment assessment on goodwill and operating licenses with indefinite useful life were supportable by available evidences.

OTHER INFORMATION

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**44,145**	9,414
Right-of-use assets	*7*	**89,394**	63,281
Goodwill	*8*	**4,214,619**	4,214,619
Film and television programmes rights	*15*	**1,470,456**	2,443,848
Other intangible assets	*8*	**679,849**	682,324
Deferred tax assets	*23*	**10,106**	19,922
Investments accounted for using equity method	*9*	**34,014**	34,897
Financial assets at fair value through profit or loss	*17*	**3,403,547**	488,738
Financial assets at fair value through other comprehensive income	*12*	**512**	480
Prepayments and other non-financial assets	*13*	**35,124**	57,969
Deposits	*14*	**5,533**	2,528
		9,987,299	8,018,020
Current assets			
Film and television programmes rights	*15*	**1,259,849**	1,617,136
Inventories	*10*	**2,900**	986
Prepayments and other non-financial assets	*13*	**278,116**	246,059
Other receivables and deposits	*14*	**2,055,172**	1,112,395
Trade and bills receivables	*16*	**2,417,087**	936,344
Financial assets at fair value through profit or loss	*17*	**110,833**	98,309
Cash and cash equivalents	*18*	**569,902**	1,189,720
		6,693,859	5,200,949
Total assets		**16,681,158**	13,218,969
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*19*	**222,761**	193,805
Share premium	*19*	**11,664,209**	9,379,095
Other reserves	*20*	**7,662**	(54,811)
Accumulated losses		**(857,092)**	(1,546,850)
		11,037,540	7,971,239
Non-controlling interests		**(1,556)**	4,192
Total equity		**11,035,984**	7,975,431

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*22*	**1,646,490**	1,719,916
Lease liabilities	*7*	**36,188**	21,703
Deferred tax liabilities	*23*	**510,886**	451,501
Contingent consideration payable	*34*	**—**	610,809
Film and television programmes investment funds from investors	*25*	**30,640**	398,027
		2,224,204	3,201,956
Current liabilities			
Contract liabilities	*5*	**8,820**	6,324
Borrowings	*22*	**108,908**	50,000
Trade payables	*24*	**357,418**	560,463
Film and television programmes investment funds from investors	*25*	**708,452**	327,008
Other payables and accruals	*26*	**479,475**	314,559
Current income tax liabilities		**412,616**	198,979
Lease liabilities	*7*	**22,448**	14,487
Contingent consideration payable	*34*	**1,322,833**	569,762
		3,420,970	2,041,582
Total liabilities		**5,645,174**	5,243,538
Total equity and liabilities		**16,681,158**	13,218,969

The consolidated financial statements on pages 68 to 179 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf.

Ke Liming
Director

Zhang Qiang
Director

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2023 RMB'000	2022 RMB'000
Revenue	*5*	**3,627,247**	1,319,928
Cost of revenue	*27*	**(2,466,264)**	(1,058,313)
Gross profit		**1,160,983**	261,615
Selling and marketing costs	*27*	**(31,282)**	(60,713)
Administrative expenses	*27*	**(284,588)**	(251,924)
Net impairment losses on financial assets	*3.1(d)*	**(119,336)**	(102,290)
Other income	*29*	**16,960**	6,034
Other gains — net	*30*	**239,184**	1,031,025
Operating profit		**981,921**	883,747
Finance costs	*31*	**(97,926)**	(84,931)
Finance income	*31*	**92,896**	52,576
Finance cost — net	*31*	**(5,030)**	(32,355)
Share of losses of associates accounted for using the equity method	*9*	**(974)**	(1,551)
Profit before income tax		**975,917**	849,841
Income tax expenses	*32*	**(293,377)**	(62,289)
Profit for the year, net of tax		**682,540**	787,552
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
Changes at fair value through other comprehensive income		**25**	(59)
Currency translation difference		**(10,786)**	(161,435)
Items that will not be reclassified to profit or loss:			
Currency translation difference		**(9,061)**	(863)
Other comprehensive loss for the year, net of tax		**(19,822)**	(162,357)
Total comprehensive income for the year		**662,718**	625,195

	Notes	2023 RMB'000	2022 RMB'000
Profit attributable to:			
— Equity holders of the Company		**689,758**	789,525
— Non-controlling interests		**(7,218)**	(1,973)
		682,540	787,552
Total comprehensive income attributable to:			
— Equity holders of the Company		**669,936**	627,168
— Non-controlling interests		**(7,218)**	(1,973)
		662,718	625,195
Earnings per share for profit attributable to the equity holders of the Company for the years: (expressed in RMB cents per share)			
— Basic earnings per share	*33*	**6.550**	8.430
— Diluted earnings per share	*33*	**5.968**	7.629

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Share capital RMB'000 *(Note 19)*	Share premium RMB'000 *(Note 19)*	Other reserves RMB'000 *(Note 20)*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2022	180,467	7,752,893	40,240	(2,360,349)	5,613,251	6,165	5,619,416
Comprehensive income							
Profit for the year	—	—	—	789,525	789,525	(1,973)	787,552
Other comprehensive loss							
Changes in the fair value of debt instruments at fair value through other comprehensive income	—	—	(59)	—	(59)	—	(59)
Currency translation difference	—	—	(162,298)	—	(162,298)	—	(162,298)
Total other comprehensive loss	—	—	(162,357)	—	(162,357)	—	(162,357)
Total comprehensive (loss)/income	—	—	(162,357)	789,525	627,168	(1,973)	625,195
Transactions with equity holders							
Issuance of ordinary shares *(Note 19)*	13,338	1,626,202	—	—	1,639,540	—	1,639,540
Release of reserves upon deregistration of subsidiaries	—	—	(23,974)	23,974	—	—	—
Employees share option scheme *(Note 21)* — share-based compensation expenses	—	—	91,280	—	91,280	—	91,280
Total transactions with equity holders	13,338	1,626,202	67,306	23,974	1,730,820	—	1,730,820
Balance as at 31 December 2022	193,805	9,379,095	(54,811)	(1,546,850)	7,971,239	4,192	7,975,431

	Attributable to equity holders of the Company						
	Share capital RMB'000 *(Note 19)*	Share premium RMB'000 *(Note 19)*	Other reserves RMB'000 *(Note 20)*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	**193,805**	**9,379,095**	**(54,811)**	**(1,546,850)**	**7,971,239**	**4,192**	**7,975,431**
Comprehensive income							
Profit for the year	—	—	—	**689,758**	**689,758**	**(7,218)**	**682,540**
Other comprehensive loss							
Changes in the fair value of debt instruments at fair value through other comprehensive income	—	—	**25**	—	**25**	—	**25**
Currency translation difference	—	—	**(19,847)**	—	**(19,847)**	—	**(19,847)**
Total other comprehensive loss	—	—	**(19,822)**	—	**(19,822)**	—	**(19,822)**
Total comprehensive (loss)/income	—	—	**(19,822)**	**689,758**	**669,936**	**(7,218)**	**662,718**
Transactions with equity holders							
Issuance of ordinary shares *(Note 19)*	**28,956**	**2,285,114**	—	—	**2,314,070**	—	**2,314,070**
Capital contribution by an non-controlling equity holder of a subsidiary	—	—	—	—	—	**1,470**	**1,470**
Employees share option scheme — share-based compensation expenses *(Note 21)*	—	—	**82,295**	—	**82,295**	—	**82,295**
Total transactions with equity holders	**28,956**	**2,285,114**	**82,295**	—	**2,396,365**	**1,470**	**2,397,835**
Balance at 31 December 2023	**222,761**	**11,664,209**	**7,662**	**(857,092)**	**11,037,540**	**(1,556)**	**11,035,984**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*35(a)*	**547,404**	(250,769)
Interest paid		**(6,859)**	(1,999)
Interest received		**7,561**	3,002
Income tax paid		**(4,872)**	(72,797)
Net cash generated from/(used in) operating activities		**543,234**	(322,563)
Cash flows in investing activities			
Purchase of property, plant and equipment		**(59,649)**	(1,665)
Purchase of financial assets at fair value through profit or loss		**(2,547,602)**	(435,584)
Proceeds from disposal of property, plant and equipment		**438**	7,826
Proceeds from disposal of financial assets at fair value through profit or loss		**120,113**	—
Advance of receivables from investments in films and television programmes rights		**(85,000)**	(923,094)
Repayment of receivables from investments in films and television programmes rights		**25,000**	50,000
Prepayment in investment in an unlisted entity	*13*	**—**	(50,000)
Investment in investments accounted for using the equity method	*9*	**(91)**	(2,000)
Dividend income from financial assets at fair value through other comprehensive income		**27**	37
Interest received from investments in film and television programmes rights		**9,582**	3,041
Advance of loans to third parties		**(1,000,000)**	—
Repayment of loans from third parties		**200,000**	—
Net cash used in investing activities		**(3,337,182)**	(1,351,439)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	*19*	**2,314,070**	1,639,540
Proceeds from borrowings		**24,500**	50,000
Contribution from an non-controlling interest		**1,470**	—
Repayment of borrowings		**(150,000)**	—
Repayment of principal elements of leases	*35(b)*	**(19,153)**	(13,350)
Net cash generated from financing activities		**2,170,887**	1,676,190
Net (decrease)/increase in cash and cash equivalents		**(623,061)**	2,188
Cash and cash equivalents at the beginning of the year		**1,189,720**	1,139,463
Exchange gain on cash and cash equivalents		**3,243**	48,069
Cash and cash equivalents at end of year	*18*	**569,902**	1,189,720

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

1 GENERAL INFORMATION

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

The Company and its subsidiaries (the "Group") are principally engaged in content production, online streaming and advertising services, online gaming services and manufacturing and sales of accessories.

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

These consolidated financial statements are presented in thousands of Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board", or "Directors") of the Company on 28 March 2024.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts

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

(b) Amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	1 January 2024
HKAS 21	Lack of Exchangeability (amendments)	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries controlled through contractual arrangements

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

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

— exercise equity holders' voting rights of the VIE;

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(a) Subsidiaries (Continued)

Subsidiaries controlled through contractual arrangements (Continued)

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

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

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

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

(b) Associates

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

(c) Equity method

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(d) Joint arrangements

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

Joint operations

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

(e) Changes in ownership interests

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

2.3 Business combinations

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

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

2.4 Separate financial statements

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the presentation currency of the Company. The functional currency of the Company is Hong Kong dollars ("HK$").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting currency translation differences are recognised in other comprehensive income.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Leasehold improvements	Over the shorter of lease term and useful life
Plant and machinery	5–10 years
Furniture, fixtures and equipment	5–10 years
Network equipment	3 years
Motor vehicles	4–5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 Intangible assets

(a) Goodwill

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

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

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

(b) Operating licences

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

(c) Software

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

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

(d) Internal development costs

Internal costs incurred on development projects are capitalised as intangible assets when recognition criteria are met:

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Film and television programmes rights

(a) Film and television programmes rights under production

Film and television programmes rights under production are carried at cost, less accumulated impairment loss. Cost includes procurement of film and television scripts, salary of directors and actors and other direct costs or expenses incurred during the production of films and television programmes rights.

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

(b) Film and television programmes rights completed

Film and television programmes rights completed are carried at cost, less accumulated amortisation and accumulated impairment losses, if any. The films and television programmes rights might be released through various distribution channels, such as theatrical release, television release or internet release, and other licensing arrangement. However, if the Group plans to consume the future economic benefits of the films and television rights substantially through the first theatrical or television release, the amortisation is then charged to profit or loss over the period of the first release of those film and television programmes rights through theatrical release or television release. Cost of television programmes rights is charged to profit or loss upon the delivery of master tapes of the respective television programmes.

(c) Licensed film and television programmes rights

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

The Group allocates cost of film and television programmes rights relevant to sub-licensing and recognise it as cost of revenue when sub-licensing the license rights to other parties.

For the rest of cost which the expected future economic benefits are expected to be consumed by subscription on the online streaming platform, it is amortised on a straight-line basis over their estimated useful lives of primarily 2–3 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimation being accounted for on a prospective basis.

(d) Current and non-current classification and derecognition

Film and television programmes rights are classified as current assets if the expected time to complete the production is within the Group's operating cycle. The remaining film and television programmes rights are classified as non-current assets.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Film and television programmes rights (Continued)

(e) Film rights investments

The Group has certain investments in film and TV production projects which entitles the Group to receive a fixed and/or variable income based on the Group's investment amount and expected rate of return as specified in the respective film and TV investment agreements. The investments are carried at fair value and included in 'Financial assets at fair value through profit or loss' in the consolidated statement of financial position.

(f) Impairment

Film and television programmes rights completed and licensed film and television programmes rights are tested for impairment when impairment indicators existed, while film and television programmes rights under production are tested for impairment annually regardless of whether impairment indicators existed.

In determining whether there is any impairment indicator on film and television programmes rights completed, the Group considered, on a title-by-title basis, factors such as current market condition, political environment, latest regulatory changes, and whether there is any adverse change on the expected performance and distribution plan.

In determining whether there is any impairment indicator on the licensed film and television programmes rights, management considered them, on a portfolio basis as one CGU, together with the Group's online streaming platform where the licensed film and television programmes rights are available for subscription on its online streaming platform.

When impairment assessment is needed, management will perform impairment assessment by determining the recoverable amount through value-in-use method, which will be calculated based on the present value of future cash flows directly generated by the relevant film and television programmes rights.

2.10 Film and television programmes investment funds from investors

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.11 Impairment of other non-financial assets

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

2.12 Investments and other financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

(c) Measurement

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

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

Debt instruments

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

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

- Financial assets at fair value through other 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 recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains — net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains — net and impairment expenses are presented as separate line item in the statement of profit or loss.

- Financial assets at fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains — net in the period in which it arises.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

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

(d) Impairment

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

- Trade and bills receivables;
- Deposits and other receivables;
- FVOCI; and
- Cash and cash equivalents.

The Group assesses, on a forward-looking basis, the expected credit losses associated with these financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Financial liabilities

(a) Initial recognition and measurement

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

(b) Subsequent measurement

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

(c) Derecognition

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

2.14 Financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.15 Inventories

Inventories mainly comprise raw material, work in progress and finished goods of textile fabric, accessories for photographic and electrical products on manufacture and sales of accessories business.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.16 Trade and other receivables

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

Trade and bills receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and bills receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

See Note 14 and Note 16 for further information about the Group's accounting for trade and other receivables and Note 3.1(d) for a description of the Group's impairment policies.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.18 Share capital

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

2.19 Trade and other payables

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.20 Borrowings

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

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

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

2.21 Borrowing costs

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.23 Employee benefits

(a) Employee leave entitlements

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

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

(b) Retirement benefits

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.24 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

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

(b) Share-based payment transactions among Group entities

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.25 Provisions

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

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

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

2.26 Revenue recognition

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

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

Control of the goods or services is transferred over time if the Group's performance:

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

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services. Specific criteria where revenue is recognised are described below.

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

A contract asset represents the Group's right to consideration for the services that the Group has transferred to the customers but is not yet unconditional. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is requited before payment of that consideration is due.

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

(a) Sales of goods

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

(b) Content production

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

(c) Online streaming and advertising services

The Group's online streaming services business focus on the monetisation of paid memberships as well as high quality licenses procured from different major international and domestic leading copyright suppliers, all of which are empowered by the pumpkin films online streaming platform operated by the Group and the experiences and knowledge of key management team of the online streaming services business who have years of experiences in the industry.

Under such online streaming services business model, the Group provides the users with membership services under the pumpkin films online streaming platform, online display-based advertising services (to corporate customers with media advertisements specifically displayed on the pumpkin platform), promotion advisory services and also sub-licenses film and television programmes rights to corporate customers.

For the membership services, the revenue is recognised over time during the period of membership as the users simultaneously receives and consumes the benefits provided by the membership services.

For online advertising services, the revenue is recognised over time during the advertisement display period on the pumpkin platform.

For promotion advisory services, the revenue is recognised at a point in time when the advisory materials are delivered to and confirmed by corporations.

For the sub-licensing of film and television programmes rights, the revenue is recognised at the point in time when the film and television programmes rights are available to the licensee and the licensee is able to use and benefit from the license, generally on delivery of master file of the film and television programmes rights when a customer is provided with a right to film and television programmes rights.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

(d) Online gaming services

Gaming services as a publisher

During the years ended 31 December 2023 and 2022, the Group acted as a publisher of two mobile games developed by third party game developers. The Group licenses these mobile games from game developers and earns service fees revenue by making a localized version of the licensed games and publishing them to the game players through distribution channels, including various mobile application stores and software websites, as well as other game publishers with cooperation relationship with the Group (collectively referred to as "Distribution Channels"). The mobile games published by the Group which are operated under a free-to-play model whereby game players can download the games free of charge and are charged for the purchase of in-game virtual items via payment channels, such as various mobile carriers and third-party internet payment systems (collectively referred to as "Payment Channels", Distribution Channels and Payment Channels collectively referred to as "Platforms").

With respect to the aforementioned Group's game license arrangements, the Group's primary responsibilities are the provision of market promotion and customer support services and considered itself as the agent of the game developers (i.e. the Group's customers) given that the (i) game developers are responsible for providing the game products desired by the game players; (ii) the costs incurred by the developers to develop the games are more than the licensing costs and game localizations costs incurred by the Group; (iii) the hosting and maintenance of game servers for running the online mobile games is the responsibility of the developers; (iv) the developers have the right to review and approve the pricing of in-game virtual items and the specification, modification or update of the game made by the Group. Accordingly, the Group recognises its game publishing service revenue from these licensed games on a net basis, net of the amounts paid to the game developers and commission fees paid to the Distribution Channels and Payment Channels.

The Group considers it provides a series of distinct services that are substantially the same and have the same pattern of transfer to the game developers who simultaneously receive and consume the benefits provided by the Group's services. As such, revenue is recognised in the month when related sales of in-game virtual items occur.

Gaming promotion and game-play design advisory services to publishers

The Group provides game-play design advisory services to game publishers and receives revenue-sharing based on gross merchandise volume of the selected games. The Group considers it provides a series of distinct services that are substantially the same and that have the same pattern of transfer to the game publisher. As such, the Group recognises these revenue over time based on certain percentage of selling prices of gaming to each day.

The Group also provides game promotion advisory service to game publishers for a fixed fee that is agreed upon between the Group and the game publishers before the commencement of the work. The Group recognises the revenue at a point in time when the advisory materials are delivered to and confirmed by the publishers.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.27 Earnings per share

(a) Basic earnings per shares

Basic earnings per share is calculated by dividing:

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

(b) Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.28 Interest income

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

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

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

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

2.29 Dividend income

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.30 Leases

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.30 Leases (Continued)

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

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

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

2.31 Dividend distribution

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.32 Government grant

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Foreign exchange risk

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

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

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

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

The directors of the Company are of the opinion that the impact on exchange difference for EUR, RMB and HK$ are immaterial as at 31 December 2023 and 2022 due to most of the transactions of the Company and its major subsidiaries are denominated in their respective functional currency. The Company and its subsidiaries do not have significant financial assets or financial liabilities denominated in currencies other than their functional currencies. Accordingly, the Group does not have significant foreign currency exposure.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(b) Price risk

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

As at 31 December 2023, if the fair values of the investments classified as financial assets at FVPL and FVOCI had been 5% higher/lower, with all other variables held constant, the Group's pre-tax profit and other components of equity would have been approximately RMB175,719,000 higher/lower (2022: RMB29,352,000 higher/lower) and approximately RMB26,000 higher/lower (2022: RMB24,000 higher/lower) respectively. Pre-tax profit for the year would increase/decrease as a result of gains/losses on financial asset classified as at FVPL. Other components of equity would increase/decrease as a result of gains/losses on financial asset classified as FVOCI.

(c) Interest rate risk

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

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

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

As at 31 December 2023, if interest rates had been 50 basis points higher/lower, with all other variables held constant, the pre-tax profit for the year would have been approximately RMB2,850,000 higher/lower (2022: RMB5,949,000 higher/lower), mainly as a result of higher/lower interest income from bank balances.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk

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

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

(i) Risk management

As at 31 December 2023 and 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

As at 31 December 2023 and 2022, 52% and 79% of the total trade and bills receivables were due from the Group's five largest customers. The directors of the Company consider these counterparties with good credit worthiness based on their past repayment history. The directors closely monitor the subsequent settlement of the customers. The Group does not grant long credit period to the counterparties.

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets

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

- Cash and cash equivalents
- Financial assets at FVOCI
- Bills receivables
- Trade receivables
- Deposits and other receivables

While cash and cash equivalents, bills receivables and financial assets at FVOCI were also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

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

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

Measurement of expected credit loss on individual basis

Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a prepayment plan with the Group, and a failure to make contractual payments. As at 31 December 2023, the balance of loss allowance in respect of these individually assessed receivables was approximately RMB63,853,000 (as at 31 December 2022: RMB63,853,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

Measurement of expected credit loss on collective basis

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped into below groups based on shared credit risk characteristics:

— State-owned companies and listed companies

For trade receivables from state-owned companies and/or listed companies and their subsidiaries, the management uses modelling approach that incorporated key parameters and assumptions, including probability of default, loss given default, exposure at default, with reference to external information from reputable external agencies such as Moody's.

— Other customers

For trade receivables from other customers being private companies that are neither state-owned or listed, the expected loss rates are based on the corresponding historical credit losses experienced, industry credit loss rates and aging profiles of trade receivables over a period of 36 months before 31 December 2023 or 1 January 2023 respectively within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the urban per capital disposable income of the PRC in which the Group sells its goods and services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

As at 31 December 2023, the amount of loss allowance in respect of these collectively assessed receivables was approximately RMB98,874,000 (as at 31 December 2022: RMB34,547,000).

Impairment losses on trade receivables are presented as 'net impairment losses on financial assets' in the consolidated statement of comprehensive income.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Deposits and other receivables

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

The Directors consider the probability of default upon initial recognition of assets and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

Especially the following indicators are incorporated:

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

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

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

Management uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

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

Category	The Group's definition of category	Basis for recognition of expected credit loss provision
Stage 1	Other receivables whose credit risk is in line with original expectations.	12 months 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 contractually past due less than 90 days.	Lifetime expected losses
Stage 3	Interest and/or principal repayments are more than 90 days contractually past due or it becomes probable that a customer will enter bankruptcy.	Lifetime expected losses

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward-looking macroeconomic data.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The loss allowance for trade and other receivables as at 31 December 2023 and 2022 reconcile to the opening loss allowance as follows:

	Trade receivables RMB'000	**Deposits and other receivables** RMB'000	**Total** RMB'000
Balance as at 1 January 2022	13,220	246	13,466
Impairment provision	85,192	17,098	102,290
Exchange difference	(12)	341	329
Balance as at 31 December 2022	98,400	17,685	116,085
Balance as at 1 January 2023	**98,400**	**17,685**	**116,085**
Impairment provision	**64,704**	**54,632**	**119,336**
Exchange difference	**(377)**	**313**	**(64)**
Balance as at 31 December 2023	**162,727**	**72,630**	**235,357**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

On such basis, the loss allowance as at 31 December 2023 and 2022 was determined as follows for trade receivables:

	Up to 3 months past due RMB'000	3 to 6 months past due RMB'000	6 to 12 months past due RMB'000	Over 1 year past due RMB'000	Total RMB'000
As at 31 December 2023					
On collective basis					
Expected loss rate	**0.34%**	**1.77%**	**5.75%**	**18.94%**	**4.32%**
Gross carrying amount	**1,367,985**	**281,930**	**238,253**	**398,793**	**2,286,961**
Loss allowance provision	**4,681**	**4,978**	**13,692**	**75,523**	**98,874**
On individual basis					
Expected loss rate	**—**	**—**	**—**	**100.00%**	**100.00%**
Gross carrying amount	**—**	**—**	**—**	**63,853**	**63,853**
Loss allowance provision	**—**	**—**	**—**	**63,853**	**63,853**
Total					
Expected loss rate	**0.34%**	**1.77%**	**5.75%**	**30.13%**	**6.92%**
Gross carrying amount	**1,367,985**	**281,930**	**238,253**	**462,646**	**2,350,814**
Loss allowance provision	**4,681**	**4,978**	**13,692**	**139,376**	**162,727**
As at 31 December 2022					
On collective basis					
Expected loss rate	0.61%	0.99%	2.20%	9.76%	3.56%
Gross carrying amount	645,148	11,648	2,230	311,865	970,891
Loss allowance provision	3,953	115	49	30,430	34,547
On individual basis					
Expected loss rate	—	—	—	100.00%	100.00%
Gross carrying amount	—	—	—	63,853	63,853
Loss allowance provision	—	—	—	63,853	63,853
Total					
Expected loss rate	0.61%	0.99%	2.20%	25.09%	9.51%
Gross carrying amount	645,148	11,648	2,230	375,718	1,034,744
Loss allowance provision	3,953	115	49	94,283	98,400

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

On such basis, the loss allowance as at 31 December 2023 and 2022 was determined as follows for other receivables:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 31 December 2023				
Gross carrying amount				
Receivables from investments in film and television programmes rights	1,120,626	55,206	—	1,175,832
Loans to third parties	820,208	—	—	820,208
Amounts due from related parties	10,318	—	—	10,318
Others	111,443	—	15,534	126,977
	2,062,595	55,206	15,534	2,133,335
Loss allowance				
Receivables from investments in film and television programmes rights	23,207	16,296	—	39,503
Loans to third parties	16,714	—	—	16,714
Amounts due from related parties	22	—	—	22
Others	857	—	15,534	16,391
	40,800	16,296	15,534	72,630
Expected credit loss rate	1.98%	29.52%	100.00%	3.40%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 31 December 2022				
Gross carrying amount				
Receivables from investments in film and television programmes rights	1,045,953	—	—	1,045,953
Amounts due from related parties	10,318	—	—	10,318
Others	74,643	—	1,694	76,337
	1,130,914	—	1,694	1,132,608
Loss allowance				
Receivables from investments in film and television programmes rights	15,408	—	—	15,408
Amounts due from related parties	19	—	—	19
Others	564	—	1,694	2,258
	15,991	—	1,694	17,685
Expected credit loss rate	1.41%	—	100.00%	1.56%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(e) Liquidity risk

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

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

	Less than 1 year RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000	**Total** RMB'000
As at 31 December 2023				
Borrowings (including interest payable)	**194,505**	**86,650**	**1,705,380**	**1,986,535**
Trade payables *(Note 24)*	**357,418**	**—**	**—**	**357,418**
Film and television programmes investment funds from investors	**712,383**	**33,640**	**—**	**746,023**
Other payables (excluding provisions for other taxes)	**368,946**	**—**	**—**	**368,946**
Lease liabilities *(Note 7)*	**24,721**	**22,586**	**15,176**	**62,483**
Total	**1,657,973**	**142,876**	**1,720,556**	**3,521,405**
As at 31 December 2022				
Borrowings (including interest payable)	51,825	195,000	1,847,754	2,094,579
Trade payables *(Note 24)*	560,463	—	—	560,463
Film and television programmes investment funds from investors	327,008	401,946	—	728,954
Other payables (excluding provisions for other taxes)	265,830	—	—	265,830
Lease liabilities *(Note 7)*	16,093	26,646	12,311	55,050
Total	1,221,219	623,592	1,860,065	3,704,876

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

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

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

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

The gearing ratios as at 31 December 2023 and 2022 were as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Total borrowings and lease liabilities	**1,814,034**	1,806,106
Total assets	**16,681,158**	13,218,969
Gearing ratio	**11%**	14%

There was no material changes to the gearing ratio during the year ended 31 December 2023.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

The following table presents the Group's financial assets measured and recognised at fair value as at 31 December 2023 and 2022 on a recurring basis:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2023				
Financial assets				
Financial assets at FVPL *(Note 17)*				
— Film rights investments	—	—	34,591	34,591
— Investments in listed equity securities	125,934	—	—	125,934
— Investments in unlisted funds	—	355,549	166,000	521,549
— Investments in unlisted companies	—	2,753,373	50,000	2,803,373
— Investments in unlisted bonds	—	28,933	—	28,933
	125,934	3,137,855	250,591	3,514,380
Financial assets at FVOCI *(Note 12)*				
— Listed fund	512	—	—	512
	126,446	3,137,855	250,591	3,514,892

During the year ended 31 December 2023, certain investments in unlisted bonds (level 2) of approximately RM36,598,000 were converted into investments in listed equity securities (level 1) as a result of the restructuring plan of the underlying portfolio company listed on the Main Board of the Stock Exchange.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2023				
Financial liability				
Contingent consideration payable *(Note 34)*	**—**	**—**	**1,322,833**	**1,322,833**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2022				
Financial assets				
Financial assets at FVPL *(Note 17)*				
— Investments in listed equity securities	13,309	—	—	13,309
— Investments in unlisted funds	—	352,738	136,000	488,738
— Wealth management products	—	85,000	—	85,000
	13,309	437,738	136,000	587,047
Financial assets at FVOCI *(Note 12)*				
— Listed fund	480	—	—	480
	13,789	437,738	136,000	587,527

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2022				
Financial liability				
Contingent consideration payable *(Note 34)*	—	—	1,180,571	1,180,571

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2023.

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives,and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

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

The following table presents the changes in level 3 financial instruments of the Group for the years ended 31 December 2022 and 2023:

	Film rights investments RMB'000	Investments in unlisted funds RMB'000	Investments in an unlisted company RMB'000	Contingent consideration payable RMB'000	Total RMB'000
Balance as at 1 January 2022	564	136,000	—	2,060,578	2,197,142
Changes in fair values	—	—	—	(988,615)	(988,615)
Currency exchange difference	—	—	—	108,608	108,608
Derecognition	(564)	—	—	—	(564)
Balance as at 31 December 2022	—	136,000	—	1,180,571	1,316,571
Balance as at 1 January 2023	**—**	**136,000**	**—**	**1,180,571**	**1,316,571**
Addition	**30,550**	**30,000**	**50,000**	**—**	**110,550**
Changes in fair values	**33,362**	**—**	**—**	**124,434**	**157,796**
Currency exchange difference	**—**	**—**	**—**	**17,828**	**17,828**
Disposal	**(29,321)**	**—**	**—**	**—**	**(29,321)**
Balance as at 31 December 2023	**34,591**	**166,000**	**50,000**	**1,322,833**	**1,573,424**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

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

The following table summarises the information about the significant unobservable inputs and valuation techniques used in recurring level 3 fair value measurement:

Description	Fair value as at 31 December 2023 RMB'000	Fair value as at 31 December 2022 RMB'000	Fair value hierarchy	Current/ Non-current	Valuation techniques and key inputs and relationships of unobservable inputs to fair value
Financial assets at fair value through profit or loss:					
Film rights investments	**34,591**	—	Level 3	Current	Expected future cash flows are discounted at rates that reflect the internal rates of return of the underlying investments. The higher internal rates of return, the lower the fair value.
Investments in unlisted funds	**166,000**	136,000	Level 3	Non-current	Market approach Reference to a combination of unobservable inputs, including market multiples, discount rate for lack of marketability etc. The higher the market multiples, the higher the fair value. The lower the discount rate, the higher the fair value.
Investments in an unlisted company	**50,000**	—	Level 3	Non-current	Market approach Reference to a combination of unobservable inputs, including market multiples, discount rate for lack of market ability etc. The higher the market multiples, the higher the fair value. The lower the discount rate, the higher the fair value.
Financial liability at fair value through profit or loss:					
Contingent consideration payable	**1,322,833**	1,180,571	Level 3	Current/ Non-current	Reference to a combination of unobservable inputs, including probability, stock price and volatility. The relationship of unobservable input to fair value. For details, refer to Note 34.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

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

See Note 34 for disclosure relating to the contingent consideration payable which is measured at fair value.

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

- Trade and bills receivables
- Other receivables
- Cash and cash equivalents
- Trade and other payables
- Borrowings

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment of goodwill and operating licenses with indefinite useful life

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

Based on management's assessment, there was no impairment on goodwill and operating licenses with indefinite useful life charged to administrative expenses during the years ended 31 December 2023 and 2022.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Operating licenses with indefinite useful life

The production and distribution of film and television programmes rights are extensively regulated in the PRC, which requires certain licenses and approvals to conduct and develop Internet related business. The Group holds the certain licenses that are necessary for conducting the online streaming services business in the PRC. Further, those licenses are subject to periodical renewal upon expiration. The Group can only provide the users with membership services on online streaming platform in the future with successful continuous renewal of these licenses.

The Group continuously reviews and assesses whether it complies with the criteria set by PRC legal system that need to be met when renew relevant licenses, as well as consider the historical renewal experience of itself and other market participants. The Group believes that it will comply with the relevant PRC laws and renewal conditions in the future.

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

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

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

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

Other than the amortisation, the directors also performed impairment assessment on film and television programmes rights under production, and on licensed film and television programme rights and film and television programme rights completed which have been identified with impairment indicators, in accordance with the accounting policy stated in Note 2.9(f).

When performing the impairment assessment, the recoverable amount of the film and television programmes rights is determined based on VIU approach. If the recoverable amount is lower than the carrying amount, the carrying amount of the film and television programmes rights will be written down to its recoverable amount. The Group's estimation of impairment provision of film and television programmes rights reflects management's best estimate of future cash flows expected to be generated from film and television programmes rights.

During the years ended 31 December 2023, based on management's impairment assessment, no impairment (2022: RMB295,838,000) of film and television programmes rights was recognised in cost of revenue as detailed in Note 15(a).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Impairment of trade and other receivables

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

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

(e) Tax provisions

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

(f) Subsidiaries arising from contractual arrangements

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

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

5 SEGMENT INFORMATION

(a) Description of segments and principal activities

The CODM of the Group has been identified as the executive directors of the Company who is responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

The Group's three reportable segments now comprised (1) Content production business; (2) Online streaming and online gaming businesses; and (3) Other businesses.

5 SEGMENT INFORMATION (Continued)

(b) Segment profit/(loss)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2023 are as follows:

	Content production business	Online streaming and online gaming businesses	Other businesses	Inter-segment elimination	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
Timing of revenue recognition					
At a point	2,219,108	340,644	30,976	—	2,590,728
Over time	8,000	1,036,519	—	(8,000)	1,036,519
	2,227,108	1,377,163	30,976	(8,000)	3,627,247
Segment profit/(loss)	719,211	620,743	(8,502)	—	1,331,452
Unallocated corporate expenses					(102,244)
Unallocated other losses					(216,219)
Unallocated finance cost — net					(37,072)
Profit before income tax					975,917
Depreciation of property, plant and equipment	1,603	1,094	206	—	2,903
Depreciation of right-of-use assets	7,259	6,683	1,544	—	15,486
Amortisation of other intangible assets	6	2,469	—	—	2,475
Amortisation of film and television programmes rights	1,520,408	460,241	—	—	1,980,649
Share of losses of associates accounted for using the equity method	974	—	—	—	974

5 SEGMENT INFORMATION (Continued)

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

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2022 are as follows:

	Content production business RMB'000	Online streaming and online gaming businesses RMB'000	Other businesses RMB'000	Consolidated RMB'000
Revenue				
Timing of revenue recognition				
At a point	105,641	1,012,166	50,765	1,168,572
Over time	—	151,356	—	151,356
	105,641	1,163,522	50,765	1,319,928
Segment (loss)/profit	(283,115)	377,636	(82,115)	12,406
Unallocated corporate expenses				(97,277)
Unallocated other gains				981,919
Unallocated finance cost — net				(47,207)
Profit before income tax				849,841
Depreciation of property, plant and equipment	1,057	572	2,530	4,159
Depreciation of right-of-use assets	10,944	2,838	749	14,531
Amortisation of other intangible assets	7	2,490	—	2,497
Amortisation of film and television programmes rights	64,717	473,501	—	538,218
Share of losses of associates accounted for using the equity method	1,551	—	—	1,551
Impairment of film and television programmes rights	295,838	—	—	295,838

During the year ended 31 December 2022, all of the segment revenue reported above was from external customers and there were no inter-segment sales.

5 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities

Segment assets and liabilities as at 31 December 2023 are as follows:

	Content production business RMB'000	Online streaming and online gaming businesses RMB'000	Other businesses RMB'000	Consolidated RMB'000
ASSETS				
Segment assets	**8,128,589**	**3,618,029**	**15,624**	**11,762,242**
Unallocated other receivables and deposits				**824,016**
Financial assets at FVPL				**3,514,380**
Financial assets at FVOCI				**512**
Deferred tax assets				**10,106**
Cash and cash equivalents				**569,902**
Consolidated total assets				**16,681,158**
LIABILITIES				
Segment liabilities	**(1,132,720)**	**(588,511)**	**(20,063)**	**(1,741,294)**
Unallocated other payables				**(11,055)**
Unallocated borrowings				**(1,646,490)**
Contingent consideration payable				**(1,322,833)**
Current income tax liabilities				**(412,616)**
Deferred tax liabilities				**(510,886)**
Consolidated total liabilities				**(5,645,174)**

5 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities (Continued)

Segment assets and liabilities as at 31 December 2022 are as follows:

	Content production business RMB'000	Online streaming and online gaming businesses RMB'000	Other businesses RMB'000	Consolidated RMB'000
ASSETS				
Segment assets	7,492,680	3,129,413	20,450	10,642,543
Unallocated other receivables and deposits				779,257
Financial assets at FVPL				587,047
Financial assets at FVOCI				480
Deferred tax assets				19,922
Cash and cash equivalents				1,189,720
Consolidated total assets				13,218,969
LIABILITIES				
Segment liabilities	(1,233,483)	(599,329)	(24,179)	(1,856,991)
Unallocated other payables				(9,991)
Unallocated borrowings				(1,545,505)
Contingent consideration payable				(1,180,571)
Current income tax liabilities				(198,979)
Deferred tax liabilities				(451,501)
Consolidated total liabilities				(5,243,538)

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

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

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

5 SEGMENT INFORMATION (Continued)

(d) Disaggregation of revenue from contracts with customers

Revenue of the Group is analysed as follows:

	2023 RMB'000	2022 RMB'000
Content production	**2,219,108**	105,641
Online streaming and advertising services	**930,872**	1,107,961
Online gaming services	**446,291**	55,561
Sales of goods	**30,976**	50,765
	3,627,247	1,319,928

(e) Geographical information

The Group's operations are located in the PRC and Hong Kong for the years ended 31 December 2023 and 2022.

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

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

	2023 RMB'000	2022 RMB'000
PRC	**3,600,163**	1,277,010
Europe	**14,237**	27,640
Hong Kong	**9,609**	12,116
Others	**3,238**	3,162
	3,627,247	1,319,928

5 SEGMENT INFORMATION (Continued)

(e) Geographical information (Continued)

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
PRC	**6,572,299**	7,508,559
Hong Kong	**835**	321
	6,573,134	7,508,880

(f) Liabilities related to contracts with customers

	31 December 2023 RMB'000	31 December 2022 RMB'000
Contract liabilities	**8,820**	6,324

Revenue recognised in relation to contract liabilities

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
— Online streaming membership services	**5,578**	15,319

Unsatisfied performance obligations

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

(g) Information about major customers

During the year ended 31 December 2023, one customer contributed over 10% of the Group's revenue. The revenue from this customer during the year was approximately RMB628,176,000, accounting for 17% of the Group's revenue(2022: two customers, approximately RMB697,893,000 in total, accounting for 41% and 12% of the Group's revenue, respectively).

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Network equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2022						
Opening net book amount	106	108	536	2,938	5,138	8,826
Additions	6,711	12	74	853	—	7,650
Currency translation differences	1	(3)	4	—	274	276
Depreciation charge *(Note 27)*	(400)	(51)	(134)	(1,203)	(2,371)	(4,159)
Disposals	—	—	—	—	(3,041)	(3,041)
Write-off *(Note 30)*	(80)	—	(58)	—	—	(138)
Closing net book amount	6,338	66	422	2,588	—	9,414
As at 31 December 2022						
Cost	6,700	1,320	1,274	53,245	1,989	64,528
Accumulated depreciation	(362)	(1,254)	(852)	(50,657)	(1,989)	(55,114)
Net book amounts	6,338	66	422	2,588	—	9,414

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Network equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2023						
Opening net book amount	**6,338**	**66**	**422**	**2,588**	**—**	**9,414**
Additions	**27,326**	**41**	**523**	**1,342**	**8,817**	**38,049**
Depreciation charge *(Note 27)*	**(1,509)**	**(65)**	**(187)**	**(1,142)**	**—**	**(2,903)**
Disposals	**—**	**—**	**—**	**—**	**(415)**	**(415)**
Closing net book amount	**32,155**	**42**	**758**	**2,788**	**8,402**	**44,145**
As at 31 December 2023						
Cost	**34,026**	**1,361**	**1,802**	**54,588**	**9,832**	**101,609**
Accumulated depreciation	**(1,871)**	**(1,319)**	**(1,044)**	**(51,800)**	**(1,430)**	**(57,464)**
Net book amount	**32,155**	**42**	**758**	**2,788**	**8,402**	**44,145**

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Administrative expenses	**2,697**	4,085
Cost of revenue	**205**	68
Selling and marketing costs	**1**	6
	2,903	4,159

7 LEASE

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

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

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Right-of-use assets		
Leasehold land and building	**27,874**	28,456
Office premises and plant	**61,182**	34,620
Warehouses	**90**	205
Motor vehicles	**248**	—
	89,394	63,281
Lease liabilities		
Current	**22,448**	14,487
Non-current	**36,188**	21,703
	58,636	36,190

Additions to the right-of-use assets during the year ended 31 December 2023 were approximately RMB44,709,000 (2022: RMB20,776,000).

7 LEASE (Continued)

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Depreciation charge of right-of-use assets		
Leasehold land and building	**582**	540
Office premises and plant	**14,772**	13,973
Warehouses	**109**	18
Motor vehicles	**23**	—
	15,486	14,531
Interest expenses on lease liabilities *(Note 31)*	**2,294**	1,832
Expenses relating to short-term leases (included in administrative expenses) *(Note 27)*	**5,985**	3,941

The total cash outflow for leases in 2023 was approximately RMB27,432,000 (2022: RMB19,123,000).

During the year ended 31 December 2023, the Group received rent concessions from landlords for certain office premises, which have been accounted for as lease modifications.

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

The Group leases various warehouses and office premises for long-term contracts. Rental contracts are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

8 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Software RMB'000	Operating licenses RMB'000	Total intangible assets RMB'000
Year ended 31 December 2022				
Opening net book amount	4,214,619	10,264	674,557	684,821
Amortisation charge *(Note 27)*	—	(2,497)	—	(2,497)
Closing net book amount	4,214,619	7,767	674,557	682,324
As at 31 December 2022				
Cost	4,214,619	12,998	674,557	687,555
Accumulated amortisation	—	(5,231)	—	(5,231)
Net book amount	4,214,619	7,767	674,557	682,324
Year ended 31 December 2023				
Opening net book amount	**4,214,619**	**7,767**	**674,557**	**682,324**
Amortisation charge *(Note 27)*	**—**	**(2,475)**	**—**	**(2,475)**
Closing net book amount	**4,214,619**	**5,292**	**674,557**	**679,849**
As at 31 December 2023				
Cost	**4,214,619**	**12,998**	**674,557**	**687,555**
Accumulated amortisation	**—**	**(7,706)**	**—**	**(7,706)**
Net book amount	**4,214,619**	**5,292**	**674,557**	**679,849**

8 GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

Amortisation of approximately RMB30,000 and RMB2,445,000 were included in "cost of revenue" and "administrative expenses" (2022: approximately RMB51,000 and RMB2,446,000 were included in "cost of revenue" and "administrative expenses") respectively in the consolidated statement of comprehensive income (Note 27).

Operating licenses with indefinite useful life which is not subject to amortisation and are tested annually for impairment.

Impairment review on the goodwill and operating licenses with indefinite useful life of the Group was conducted by management with the assistance of an independent professional valuer as at 31 December 2023, according to HKAS 36 "Impairment of assets". For the purpose of impairment review, the recoverable amount of the CGUs is the higher of its fair value less costs of disposal and its VIU.

For the purpose of impairment testing, goodwill and operating licenses with indefinite useful life have been allocated to two CGUs which are grouped in two segments.

	31 December 2023 RMB'000	31 December 2022 RMB'000
Goodwill:		
Content production business	**3,278,395**	3,278,395
Online streaming services business	**936,224**	936,224
Operating licenses with indefinite useful life:		
Online streaming services business	**674,557**	674,557

The VIU calculations use cash flows projections based on financial budget prepared by management covering a five year period. The key underlying assumptions adopted as at 31 December 2023 and 2022 are summarised below:

	Content production business		**Online streaming services business**	
	31 December 2023	31 December 2022	**31 December 2023**	31 December 2022
Compound annual growth rate of revenue for the five-year period (%)	**10**	78	**23**	24
Gross profit margin for five-year period (%)	**42 to 56**	25 to 61	**61 to 64**	28 to 53
Pre-tax discount rate (%)	**19.67**	20.72	**36.82**	36.21
Terminal growth rate (%)	**3**	3	**3**	3

8 GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

Management has determined the values assigned to each of the above key assumptions as follows:

(i) Revenue growth rate

For content production business, revenue for the 5 year period is forecasted by management based on the number of films and television programmes in different stages (including those to be released, under production, in script development and pre-planning stage), and taking reference to estimated films' box offices and television programmes' selling prices of similar genres, directors, casting and investment costs, etc.

For online streaming services business, revenue for the 5 year period is forecasted by management based on the acquisition of paid memberships, the demand for online display-based advertising services as well as high quality licenses procured from different major international and domestic leading copyright suppliers, all of which were empowered by the pumpkin films online streaming platform and experiences and knowledge of key management team of the online streaming services business who have years of experiences in the industry and have been involved with the online streaming services business before the acquisition.

When estimating the revenue of the five-year period, management also took reference to the industry outlook of the PRC's films and television programmes market.

(ii) Gross profit margin

For content production business, the budgeted gross margin of the 5 year period between 42% and 56% (2022: between 25% and 61%) was determined by the management based on past performance, the current market conditions and its expectation for market development.

For online streaming services business, the budgeted gross margin of the 5 year period between 61% and 64% (2022: between 28% and 53%) was determined by the management based on past performance, the current market conditions and its expectation for market development.

(iii) Terminal growth rate

Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates of 3% (2022: 3%).

(iv) Pre-tax discount rate

The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The directors of the Company has taken into account the expected recover of the PRC's pan-entertainment industry when applying the pre-tax discount rate.

With regard to the assessment of the value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGUs to exceed their respective recoverable amounts. As at 31 December 2023, the recoverable amount of content production business and online streaming services business were RMB6,808,065,000 and RMB3,089,943,000 respectively.

The amounts are estimated to exceed the carrying amounts of the CGUs as at 31 December 2023 by approximately RMB809,786,000 (2022: RMB680,662,000) and RMB483,804,000 (2022: RMB524,828,000) respectively. Based on above assessment, no impairment was recognised for the goodwill and other intangible assets during the year ended 31 December 2023.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2023 RMB'000	31 December 2022 RMB'000
At the beginning of the year	**34,897**	34,448
Additions	**91**	2,000
Share of post-tax losses of associates	**(974)**	(1,551)
At the end of the year	**34,014**	34,897

As at 31 December 2023 and 2022, the Group had interests in the following associates:

Name	Place of incorporation and kind of legal entity	Principal activities	Registered/ issued capital (RMB)	Percentage of ownership interest attributable to the Group	
				2023.12.31	2022.12.31
Fengchuibudong Pictures (Haikou) Co., Ltd.	The PRC, limited liability company	Media and film production	5,000,000	**20%**	20%
Xihuanjijie (Tianjin) Culture and Entertainment Co., Ltd.	The PRC, limited liability company	Media and film production	10,000,000	**20%**	20%
Beijingchuangwai Film and Television Culture Media Co., Ltd.	The PRC, limited liability company	Media and film production	555,600	**10%***	10%*

* The Group holds less than 20% of the ownership interest of the entity, however the Group has significant influence in the entity as the Group has the right to appoint director to the board of the entity.

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

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

10 INVENTORIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Raw materials	**639**	211
Work in progress	**223**	144
Finished goods	**2,038**	631
	2,900	986

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

The cost of inventories recognised as expense and included in "cost of revenue" during the year ended 31 December 2023 amounting to approximately RMB14,352,000 (2022: RMB26,933,000) (Note 27).

For the year ended 31 December 2023 there is no provision for obsolete inventories (2022: write-back of RMB416,000) was recognised in the consolidated statement of comprehensive income in respect of the net amount of the provision/(write-back of provision) for obsolete inventories, loss on obsolete inventories, utilisation of provision for obsolete inventories and write-down of inventories to their net realisable value for the year. These amounts have been included in cost of revenue in the consolidated statement of comprehensive income.

11 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
Financial assets			
Financial assets at amortised cost			
Other receivables and deposits	*14*	**2,060,705**	1,114,923
Trade and bills receivables	*16*	**2,417,087**	936,344
Cash and cash equivalents	*18*	**569,902**	1,189,720
Financial assets at FVOCI			
Listed fund	*12*	**512**	480
Financial assets at FVPL			
Investments in listed equity securities	*17*	**125,934**	13,309
Film rights investments	*15*	**34,591**	—
Investments in unlisted funds	*17*	**521,549**	488,738
Investments in unlisted companies	*17*	**2,803,373**	—
Investments in unlisted bonds	*17*	**28,933**	—
Wealth management products	*17*	**—**	85,000
		8,562,586	3,828,514
Financial liabilities			
Financial Liabilities at amortised cost			
Borrowings	*22*	**1,755,398**	1,769,916
Film and television programmes investment funds from investors	*25*	**739,092**	725,035
Trade payables	*24*	**357,418**	560,463
Other payables (excluding provisions for other taxes)	*26*	**368,946**	265,830
Lease liabilities	*7*	**58,636**	36,190
Financial liability at FVPL			
Contingent consideration payable	*34*	**1,322,833**	1,180,571
		4,602,323	4,538,005

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023 RMB'000	31 December 2022 RMB'000
Listed fund	**512**	480

13 PREPAYMENTS, DEPOSITS AND OTHER NON-FINANCIAL ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Current portion		
Prepayments for:		
— Film and television programmes rights	**187,992**	86,440
— Comic books' adaptation rights	**11,433**	—
— Gaming production and promotion fees	**11,517**	—
— Film directors' fees	**8,000**	31,400
— Prepayment to a related party *(Note 36(d))*	**1,000**	1,000
Deductible value-added tax	**47,772**	117,543
Others	**10,402**	9,676
	278,116	246,059
Non-current portion		
Prepayments for:		
— Investment in an unlisted entity	**—**	50,000
— A property	**25,000**	—
— Licensed film and television programmes rights	**10,124**	6,664
Others	**—**	1,305
	35,124	57,969
Total	**313,240**	304,028

14 OTHER RECEIVABLES AND DEPOSITS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Amounts due from related parties *(Note 36(d))*	**10,318**	10,318
Receivables from investments in film and television programmes rights *(a)*	**1,175,832**	1,045,953
Loans to third parties *(b)*	**820,208**	—
Others	**126,977**	76,337
	2,133,335	1,132,608
Less: Impairment for other receivables and deposits *(Note 3.1(d))*	**(72,630)**	(17,685)
	2,060,705	1,114,923
Less: non-current portion	**(5,533)**	(2,528)
	2,055,172	1,112,395

(a) The receivables are unsecured, interest-bearing at fixed rates between 5% to 15%, and repayable within 12 months.

(b) The balances are unsecured, interest-bearing at fixed rates of 8% and repayable within 8 months commencing from the date of the loans.

15 FILM AND TELEVISION PROGRAMMES RIGHTS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Film and television programmes rights completed	**503,432**	1,376,159
Film and television programmes rights under production	**1,787,553**	1,918,815
Licensed film and television programmes rights	**439,320**	766,010
	2,730,305	4,060,984
Less: Current portion	**(1,259,849)**	(1,617,136)
	1,470,456	2,443,848

15 FILM AND TELEVISION PROGRAMMES RIGHTS (Continued)

Movement in the Group's film and television programme rights were as follows:

	Film and television programmes rights completed RMB'000	Film and television programmes rights under production RMB'000	Licensed film and television programmes rights RMB'000	Film rights investments RMB'000	Total RMB'000
As at 1 January 2022	612,835	1,875,138	93,336	564	2,581,873
Additions	197,584	969,972	939,457	—	2,107,013
Transfer from prepayment	—	—	206,718	—	206,718
Amortisation charge *(Note 27)*	(64,717)	—	(473,501)	—	(538,218)
Transfer	926,295	(926,295)	—	—	—
Impairment *(a)*	(295,838)	—	—	—	(295,838)
Derecognition	—	—	—	(564)	(564)
As at 31 December 2022	1,376,159	1,918,815	766,010	—	4,060,984
As at 1 January 2023	**1,376,159**	**1,918,815**	**766,010**	**—**	**4,060,984**
Additions	**240,025**	**276,394**	**132,482**	**—**	**648,901**
Transfer from prepayment	**—**	**—**	**1,069**	**—**	**1,069**
Amortisation charge *(Note 27)*	**(1,520,408)**	**—**	**(460,241)**	**—**	**(1,980,649)**
Transfer	**407,656**	**(407,656)**	**—**	**—**	**—**
As at 31 December 2023	**503,432**	**1,787,553**	**439,320**	**—**	**2,730,305**

(a) Impairment assessment of film and television programmes

(i) Licensed film and television programmes

For licensed film and television programmes, no impairment indicator has been identified by management during the years ended 31 December 2023 and 2022.

(ii) Film and television programmes rights under production and completed

For film and television programmes rights under production and the completed ones with impairment indicators identified, management has performed impairment assessment using the VIU method, which is calculated based on the present value of future cash flows directly generated by the relevant film and television programmes rights.

When estimating the future cash flows to be generated by the relevant film and television programmes rights, management considers inputs including but not limited to revenue streams from different distribution channels such as theatrical release, television release or internet release, the expected timing of various revenue streams, and production and distribution costs.

15 FILM AND TELEVISION PROGRAMMES RIGHTS (Continued)

(a) Impairment assessment of film and television programmes (Continued)

(ii) Film and television programmes rights under production and completed (Continued)

When discounting the future cash flows in the VIU projections, management has used pre-tax discount rates primarily ranging from 23.84% to 24.95% (2022: 23.10% to 24.18%) , which reflected time value of money and specific risks of the relevant industries.

For film and television programmes rights under production, no impairment was recognised during the years ended 31 December 2023 and 2022 based on management's assessment.

For film and television programmes rights completed, impairment of approximately RMB295,838,000 were recognised during the year ended 31 December 2022 in cost of revenue with respect to a completed film and a completed television programme based on their expected revenue performances in the box office and sub-licensing revenue streams with reference to anticipated market capacity. During the year ended 31 December 2023, no impairment indicator was identified for film and television programmes rights completed.

16 TRADE AND BILLS RECEIVABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade receivables from third parties	**1,648,450**	1,034,744
Trade receivables from related parties *(Note 36(b))*	**842,364**	—
	2,490,814	1,034,744
Less: allowance for impairment of trade receivables *(Note 3.1(d))*	**(162,727)**	(98,400)
	2,328,087	936,344
Bills receivables	**89,000**	—
	2,417,087	936,344

16 TRADE AND BILLS RECEIVABLES (Continued)

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
— RMB	**2,413,832**	928,168
— US$	**3,255**	8,164
— HK$	**—**	12
	2,417,087	936,344

(b) Trade and bills receivables mainly arose from the provision of content production, online gaming and online streaming services. The following is an ageing analysis of trade and bills receivables net of allowance for impairment, based on the recognition date at the end of the reporting period.

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 90 days	**1,452,304**	641,195
91 days to 180 days	**276,952**	11,533
181 days to 365 days	**224,561**	2,181
1 year to 2 years	**273,447**	266,699
Over 2 years	**189,823**	14,736
	2,417,087	936,344

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets		
Investments in unlisted funds	**521,549**	488,738
Investments in unlisted companies	**2,803,373**	—
Investments in listed equity securities	**78,625**	—
	3,403,547	488,738
Current assets		
Film rights investments	**34,591**	—
Investments in listed equity securities	**47,309**	13,309
Wealth management products	**—**	85,000
Investments in unlisted bonds	**28,933**	—
	110,833	98,309
	3,514,380	587,047

Movement in the Group's financial assets of fair value through profit or loss were as follows:

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
At the beginning of the year	**587,047**	180,846
Additions	**2,609,602**	435,584
Disposal	**(120,113)**	(4,690)
Fair value gains/(losses) *(Note 30)*	**432,009**	(24,555)
Currency translation differences	**5,835**	(138)
At the end of the year	**3,514,380**	587,047

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

During the year ended 31 December 2023, the Group entered into an equity transfer agreement (the "Equity Transfer Agreement") with Beijing Wanda Cultural Industry Group Co., Ltd. ("Beijing Culture"), an independent third party, pursuant to which the Group acquired 49% of the shares in Beijing Wanda Investment Co., Ltd. ("Beijing Investment") held by Beijing Culture at a total consideration of RMB2,262,000,000. The Group does not have the rights nor intention to appoint a director to Beijing Investment and has no plan to participate in its daily operation and management.

The transaction was completed in December 2023 with all of relevant conditions precedent as set out in the Equity Transfer Agreement being either already satisified or waived and only RMB12,000,000 (Note 26) out of the total consideration remained payable as at 31 December 2023.

18 CASH AND CASH EQUIVALENTS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Cash at banks	**569,896**	1,189,711
Cash on hand	**6**	9
	569,902	1,189,720

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
— HK$	**155,199**	834,905
— RMB	**371,089**	344,734
— US$	**43,613**	10,081
— EUR	**1**	—
	569,902	1,189,720

As at 31 December 2023, the Group has cash and bank balances amounting to approximately RMB371,069,000 (2022: RMB344,734,000) which are held in the PRC. These cash and bank balances are subject to the rule and regulations of foreign exchange control promulgated by the PRC government.

19 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000
As at 1 January 2022	9,234,647,545	180,467	7,752,893
Issuance of ordinary shares	770,000,000	13,338	1,626,202
As at 1 January 2023	10,004,647,545	193,805	9,379,095
Issuance of ordinary shares*(a)*	1,581,250,000	28,956	2,285,114
As at 31 December 2023	11,585,897,545	222,761	11,664,209

(a) On 4 July 2023, the Company entered into share subscription agreements pursuant to which a maximum of 2,500,000,000 placing shares could be issued at the subscription prices of HK$1.6 per share.

During the year ended 31 December 2023, the Company issued a total of 1,581,250,000 placing shares under the aforementioned subscription agreements at the subscription prices of HK$1.6 per share with gross proceeds of approximately HK$2,530,000,000. After netting off these gross proceeds with share issuance costs, the respective share capital amount was approximately RMB28,956,000 and share premium arising from the issuance was approximately RMB2,285,114,000. The share issuance costs mainly include lawyers' fees and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These share issuance costs were treated as a deduction against the share premium arising from the issuance. The remaining 918,750,000 placing shares will still valid until 31 May 2024 or such later date as the Company and the relevant subscribers may agree.

The directors do not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

20 OTHER RESERVES

	Note	Financial assets at FVOCI RMB'000	Special reserve RMB'000	Capital surplus RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Reserve fund RMB'000	Enterprise expansion reserve RMB'000	Total RMB'000
Balance as at 1 January 2022		(276)	18,888	9,471	(29,093)	30,342	8,603	1,153	1,152	40,240
Changes in the fair value of debt instruments at FVOCI		(94)	—	—	35	—	—	—	—	(59)
Currency translation difference		—	—	—	(162,298)	—	—	—	—	(162,298)
Release of reserves upon deregistration of subsidiaries	*(a)*	—	—	—	—	(23,974)	—	—	—	(23,974)
Employees share option scheme: — share-based compensation expenses	*(b)*	—	—	—	—	—	91,280	—	—	91,280
Balance as at 31 December 2022		(370)	18,888	9,471	(191,356)	6,368	99,883	1,153	1,152	(54,811)

	Note	**Financial assets at FVOCI RMB'000**	**Special reserve RMB'000**	**Capital surplus RMB'000**	**Translation reserve RMB'000**	**Statutory reserve RMB'000**	**Share option reserve RMB'000**	**Reserve fund RMB'000**	**Enterprise expansion reserve RMB'000**	**Total RMB'000**
Balance as at 1 January 2023		**(370)**	**18,888**	**9,471**	**(191,356)**	**6,368**	**99,883**	**1,153**	**1,152**	**(54,811)**
Changes in the fair value of debt instruments at FVOCI		**25**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**25**
Currency translation difference		**7**	**—**	**—**	**(19,854)**	**—**	**—**	**—**	**—**	**(19,847)**
Employees share option scheme: — share-based compensation expenses	*(b)*	**—**	**—**	**—**	**—**	**—**	**82,295**	**—**	**—**	**82,295**
Balance as at 31 December 2023		**(338)**	**18,888**	**9,471**	**(211,210)**	**6,368**	**182,178**	**1,153**	**1,152**	**7,662**

20 OTHER RESERVES (Continued)

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

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

21 SHARE-BASED PAYMENT

2013 Share option scheme

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

On 26 November 2021, options of 181,917,000 shares were conditionally granted under the 2013 Share Option Scheme and the exercisable period is from 26 November 2022 to 25 November 2031.

No share option granted was exercised during the year ended 31 December 2023.

(a) Set out below are summaries of options granted under the 2013 Share Option Scheme:

	2023		2022	
	Average exercise price per share option (HK$)	**Number of options (thousands)**	Average exercise price per share option (HK$)	Number of options (thousands)
As at 1 January	**3.43**	**181,917**	3.43	181,917
Granted during the year	**—**	**—**	—	—
Exercised during the year	**—**	**—**	—	—
Forfeited during the year	**—**	**—**	—	—
Outstanding as at 31 December	**3.43**	**181,917**	3.43	181,917
Exercisable as at 31 December		**181,917**		181,917

21 SHARE-BASED PAYMENT (Continued)

2013 Share option scheme (Continued)

(b) The terms and conditions at the date of grants are as follows:

Options granted to senior management and employees:	Number of options (thousands)	Vesting conditions	Contractual life of options
— on 26 November 2021	181,917	5% after one year, 10% after two years, 15% after three years, 30% after four years and 40% after five years from the date of grant	10 years commencing on the date of grant

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

(c) Fair value of share options and assumptions

The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimates of the fair value of the share options granted are measured based on a Binomial Option Pricing Model. The contractual lives of the share option are used as an input into this model. Expectations of early exercise are incorporated into the Binomial Option Pricing Model.

Date granted	26 November 2021
Fair value at measurement date	HK$1.87–HK$1.95
Share price at grant date	HK$3.43
Exercise price	HK$3.43
Expected volatility	53.72%–56.27%
Option life	10 years
Dividend yield	0%
Risk-free interest rate	1.29%–1.46%

The expected volatilities are based on the historic volatilities (calculated based on the weighted average remaining lives of the share options), adjusted for any expected changes to future volatilities based on publicly available information. Dividend yield based on estimated dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

21 SHARE-BASED PAYMENT (Continued)

2013 Share option scheme (Continued)

(c) Fair value of share options and assumptions (Continued)

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

For the year ended 31 December 2023, the total expenses for share options granted to employees amounting to approximately RMB82,295,000 (2022 RMB91,280,000) were recognised and included in "employee benefit expenses" in the consolidated statement of comprehensive income.

2013 Share Option Scheme was terminated by a resolution passed in the annual general meeting of the Company held on 28 June 2023. (the "2023 AGM"). A new share option scheme ("2023 Share Option Scheme") was adopted at the 2023 AGM, for the primary purpose of enabling the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group, and which will expire 10 years after the date of adoption (i.e 27 June 2033).

The Company has not granted any share option under the 2023 Share Option Scheme during the year ended 31 December 2023.

22 BORROWINGS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current other borrowings:		
— Unsecured with guarantee *(Note (a))*	**—**	174,411
— Unsecured without guarantee *(Note (b))*	**1,646,490**	1,545,505
Current bank and other borrowings:		
— Unsecured with guarantee — other borrowing *(Note (a))*	**84,408**	—
— Unsecured with guarantee — bank borrowing *(Note (d))*	**5,000**	—
— Secured bank borrowings *(Note (c))*	**19,500**	50,000
Total borrowings	**1,755,398**	1,769,916

22 BORROWINGS (Continued)

(a) As at 31 December 2023 and 2022, the borrowing was denominated in RMB with fixed interest rate of 7.5% per annum and guaranteed by Mr. Ke, the director of the Company. The repayment date of the borrowing will be 26 October 2024. The Group repaid part of the borrowing in advance during the year ended 31 December 2023.

(b) As at 31 December 2023 and 2022, the borrowing was denominated in HK$, non-interest bearing and repayable in August 2026. Imputed interest has been deducted from the principal and recognised as imputed interest income at initial recognisation and subsequently amortised as imputed interest expenses in "Finance cost — net" until maturity (For details, refer to Note 31).

(c) As at 31 December 2023, the borrowing was denominated in RMB with fixed interest rate of 3.55% per annum, and repayable within 1 year. The borrowing was secured by certain trade receivables. The borrowing amounting to RMB50,000,000 of the last year was repaid during the year ended 31 December 2023.

(d) As at 31 December 2023, the borrowing was denominated in RMB with fixed interest rate of 2.90% per annum, and repayable within 1 year.

The Group's borrowings were repayable as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 1 years	**108,908**	50,000
Between 2 and 5 years	**1,646,490**	1,719,916
Total borrowings	**1,755,398**	1,769,916

23 DEFERRED INCOME TAX

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

Deferred tax assets

	31 December 2023 RMB'000	31 December 2022 RMB'000
The balance comprises temporary differences attributable to:		
— Loss allowance for trade and other receivables	**36,042**	9,776
— Temporary difference of right-of-use assets	**589**	341
— Remeasurement of film and television programmes investment funds from investors	**—**	8,789
— Advertising and promotional costs	**—**	1,016
Total	**36,631**	19,922

	Loss allowance for trade and other receivables RMB'000	Temporary difference of right-of-use assets RMB'000	Remeasurement of film and television programmes investment funds from investors RMB'000	Advertising and promotional costs RMB'000	Total RMB'000
As at 1 January 2022	306	181	—	1,206	1,693
(Charged)/credited to the statement of comprehensive income	9,470	160	8,789	(190)	18,229
As at 31 December 2022	9,776	341	8,789	1,016	19,922
As at 1 January 2023	**9,776**	**341**	**8,789**	**1,016**	**19,922**
(Charged)/credited to the statement of comprehensive income	**26,266**	**248**	**(8,789)**	**(1,016)**	**16,709**
As at 31 December 2023	**36,042**	**589**	**—**	**—**	**36,631**

23 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities

	31 December 2023 RMB'000	31 December 2022 RMB'000
The balance comprises temporary differences attributable to:		
— Amortisation of film and television programmes rights	**(243,783)**	(280,643)
— Amortisation of intangible assets	**(169,892)**	(170,501)
— Fair value change of financial instruments	**(123,736)**	(357)
	(537,411)	(451,501)

Movement	Amortisation of film and television programmes rights RMB'000	Amortisation of intangible assets RMB'000	Fair value change of financial instruments RMB'000	Total RMB'000
As at 1 January 2022	(330,847)	(171,111)	—	(501,958)
(Charged)/credited to the consolidated statement of comprehensive income	50,204	610	(357)	50,457
As at 31 December 2022	(280,643)	(170,501)	(357)	(451,501)
As at 1 January 2023	**(280,643)**	**(170,501)**	**(357)**	**(451,501)**
(Charged)/credited to the consolidated statement of comprehensive income	**36,860**	**609**	**(123,379)**	**(85,910)**
As at 31 December 2023	**(243,783)**	**(169,892)**	**(123,736)**	**(537,411)**

23 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities (Continued)

As at 31 December 2023, the amount of RMB26,525,000 (31 December 2022: Nil) had been offset between deferred tax assets and deferred tax liabilities.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of approximately RMB712,607,000 (2022: approximately RMB711,200,000) in respect of tax losses amounting to RMB4,396,357,000 (2022: RMB4,263,570,000) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. Tax losses of approximately RMB58,755,000 (2022: approximately RMB90,714,000) arising from the PRC subsidiaries will expire in various dates up to 2028 (2022: 2027). Other tax losses may be carried forward indefinitely.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totaled RMB1,947,166,000 as at 31 December 2023 (2022: RMB461,341,000).

24 TRADE PAYABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade payables to:		
— Third parties	**356,997**	550,120
— Related parties *(Note 36(d))*	**421**	10,343
	357,418	560,463

Trade payables were denominated in the following currencies:

	31 December 2023 RMB'000	31 December 2022 RMB'000
— RMB	**357,087**	559,640
— HK$	**331**	742
— US$	**—**	81
	357,418	560,463

24 TRADE PAYABLES (Continued)

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 60 days	**330,995**	469,807
61 days to 150 days	**25,125**	29,708
Over 151 days	**1,298**	60,948
	357,418	560,463

The carrying amounts of trade payables approximate their fair values as at 31 December 2023 and 2022.

25 FILM AND TELEVISION PROGRAMMES INVESTMENT FUNDS FROM INVESTORS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Film and television programmes investment funds from investors		
— Third parties	**590,092**	576,035
— Related parties *(Note 36(d))*	**149,000**	149,000
	739,092	725,035

Represented by	31 December 2023 RMB'000	31 December 2022 RMB'000
Current portion	**708,452**	327,008
Non-current portion	**30,640**	398,027
	739,092	725,035

25 FILM AND TELEVISION PROGRAMMES INVESTMENT FUNDS FROM INVESTORS (Continued)

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

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

26 OTHER PAYABLES AND ACCRUALS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Other payables	**17,056**	55,980
Payables to gaming developers	**42,382**	75,675
Advance receipt of film issuance and production	**151,299**	49,057
Provisions for other taxes	**110,529**	48,729
Accrued expenses	**40,473**	19,755
Consideration payable for an investment in an unlisted company *(Note 17)*	**12,000**	—
Amounts due to related parties *(Note 36(d))*		
— to gaming distribution channels	**105,731**	62,343
— others	**5**	3,020
	479,475	314,559

Other payables and accruals were denominated in the following currencies:

	31 December 2023 RMB'000	31 December 2022 RMB'000
— RMB	**465,845**	301,715
— HK$	**13,630**	12,791
— US$	**—**	53
	479,475	314,559

The carrying amounts of other payables approximate their fair values as at 31 December 2023 and 2022.

27 EXPENSES BY NATURE

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

	2023 RMB'000	2022 RMB'000
Employees benefit expenses (including directors' emoluments) *(Note 28)*	**205,886**	202,204
Content revenue-sharing, distribution and promotion costs	**277,448**	—
Cost of inventories sold *(Note 10)*	**14,352**	26,933
Impairment of film and television programmes rights *(Note 15)*	**—**	295,838
Amortisation		
— Film and television programmes rights *(Note 15)*	**1,980,649**	538,218
— Other intangible assets *(Note 8)*	**2,475**	2,497
Depreciation		
— Property, plant and equipment *(Note 6)*	**2,903**	4,159
— Right-of-use assets *(Note 7)*	**15,486**	14,531
Advertising and promotion costs	**29,275**	49,753
Bandwidth and server custody fees	**44,515**	75,195
Distribution cost and payment handling fees	**67,571**	62,166
Rental expenses *(Note 7)*	**5,985**	3,941
Travelling expenses	**2,931**	1,402
Research and development expenses	**33,257**	27,702
Legal and professional fees	**30,599**	19,876
Auditor's remuneration	**—**	—
— Audit services	**5,500**	4,800
— Non-audit services	**1,499**	1,407
Write-down of inventories	**—**	416
Others	**61,803**	39,912
	2,782,134	1,370,950

28 STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS

	2023 RMB'000	2022 RMB'000
Wages and salaries	**102,031**	90,513
Pension costs — statutory pension *(b)*	**9,362**	8,255
Staff welfare	**7,785**	8,657
Medical benefits	**4,413**	3,499
Share-based compensation *(Note 21)*	**82,295**	91,280
	205,886	202,204

(a) Five highest paid individuals

During the year ended 31 December 2023, two of the five highest paid individuals are directors whose emoluments are reflected in the analysis shown in Note 39 (2022: two). The emoluments of the remaining three individual employees were as follows (2022: three):

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	**5,279**	3,715
Bonuses	**2,222**	306
Retirement scheme contributions	**252**	192
Share-based compensation	**44,599**	49,469
	52,352	53,682

The emoluments fell within the following bands:

	No. of employees	
	2023	2022
HK$12,000,001 to HK$12,500,000	**1**	—
HK$12,500,001 to HK$13,000,000	**—**	1
HK$13,000,001 to HK$13,500,000	**—**	1
HK$13,500,001 to HK$14,000,000	**1**	—
HK$32,000,001 to HK$32,500,000	**1**	—
HK$36,500,001 to HK$37,000,000	**—**	1
	3	3

28 STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Pensions — defined contribution plans

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

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

There was no forfeited contribution utilized to offset employers' contributions for the year ended 31 December 2023 (2022: Nil). There was no forfeited contribution available to reduce the contribution payable in the future year as at 31 December 2023 (2022: Nil).

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

	2023 RMB'000	2022 RMB'000
Gross scheme contributions	**9,362**	8,255

29 OTHER INCOME

	2023 RMB'000	2022 RMB'000
Government grants	**13,590**	5,997
Tax credit of input tax additional deduction	**3,332**	—
Dividend income from financial assets at FVOCI	**38**	37
	16,960	6,034

30 OTHER GAINS — NET

	2023 RMB'000	2022 RMB'000
Fair value change in contingent consideration payable *(Note 34)*	**(124,434)**	988,615
Net fair value change in financial assets at FVPL *(Note 17)*	**432,009**	(24,555)
Gains on disposals of property, plant and equipment	**23**	4,785
Write-off of property, plant and equipment	**—**	(138)
Remeasurement of film and television programmes investment funds from investors	**(66,619)**	59,866
Others	**(1,795)**	2,452
Other gains — net	**239,184**	1,031,025

31 FINANCE COST — NET

	2023 RMB'000	2022 RMB'000
Finance costs:		
— Interest expenses on borrowings	**(14,561)**	(11,698)
— Interest expenses on film and television programmes investment funds from investors	**(2,940)**	(482)
— Interest expenses on lease liabilities	**(2,294)**	(1,832)
— Imputed interest expenses	**(78,131)**	(70,919)
	(97,926)	(84,931)
Finance income:		
— Interest income on saving deposits	**7,561**	3,002
— Interest income on receivables from investments in film and television programme rights and loans to third parties	**85,335**	49,574
	92,896	52,576
Finance cost — net	**(5,030)**	(32,355)

32 INCOME TAX EXPENSES

	2023 RMB'000	2022 RMB'000
Current income tax		
— Provision for the year	**224,176**	131,091
Deferred income tax	**69,201**	(68,802)
Income tax expenses	**293,377**	62,289

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

	2023 RMB'000	2022 RMB'000
Profit before income tax	**975,917**	849,841
Tax calculated at the tax rates applicable to profits in the respective jurisdictions	**248,316**	152,474
Income not subject to tax	**—**	(163,182)
Tax losses and temporary differences for which no deferred income tax asset was recognised	**16,530**	34,052
Expenses not deductible for tax purposes	**43,480**	39,342
Utilisation of tax losses previously not recognised	**(14,949)**	(397)
	293,377	62,289

Bermuda corporate tax

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

Hong Kong profits tax

Hong Kong profits tax is calculated as at 16.5% on the estimated assessable profit for the year, based on the existing legislation, interpretations and practices in respect thereof. No Hong Kong profits tax has been provided for during the years ended 31 December 2022 and 2023.

32 INCOME TAX EXPENSES (Continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25%, except for a subsidiary of the Group which are entitled to preferential tax rate applicable to advanced and new technology enterprises of 15% in 2023 on the estimated assessable profit for the year, based on the existing legislation, interpretations and practices in respect thereof.

33 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Profit attributable to equity holders of the Company (RMB'000)	**689,758**	789,525
Weighted average number of ordinary shares in issue (thousands)	**10,531,428**	9,365,893
Basic earnings per share (RMB cents per share) for the year	**6.550**	8.430

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary share being (1) share warrants (Note 34); and (2) 918,750,000 placing shares that were not yet issued and the Company's share price as at 31 December 2023 exceeds the placing price (Note 19).

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

The number of shares that would have been issued assuming the exercise of the remaining placing shares (Note 19) less the number of shares that could have been issued at fair value (determined as the average market price per share from the date of the placing shares announced through the year end of 2023). The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

33 EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

	2023	2022
Weighted average number of ordinary shares for calculation of basic earnings per share (thousands)	**10,531,428**	9,365,893
Adjustment for:		
— share warrants (thousands)	**937,476**	983,515
— effect of placing shares (thousands)	**88,570**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**11,557,474**	10,349,408

	2023	2022
Profit attributable to equity holders of the Company (RMB'000)	**689,758**	789,525
Diluted earnings per share (RMB cents per share) for the year	**5.968**	7.629

The share options granted by the Company should also have potential dilutive effect on the earnings per share. During the years ended 31 December 2023 and 2022, these share options have anti-dilutive effect to the Group's diluted earnings per share.

34 CONTINGENT CONSIDERATION PAYABLE

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

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

The warrants are divided into three tranches being 611,426,436 warrants for tranche 1, 611,426,436 warrants for tranche 2, and 611,426,437 for tranche 3.

34 CONTINGENT CONSIDERATION PAYABLE (Continued)

The contingent consideration payable at maximum of 1,834,279,307 new shares are subject to the consolidated net profit after income tax of Virtual Cinema during the period of three years, being the year ended 31 December 2021 ("FY2021"), 2022 ("FY2022") and 2023 ("FY2023").

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

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

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

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

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

Based on the final purchase price allocation, the following table summarises the fair value movement of the consideration paid for Virtual Cinema:

	RMB'000
As at 1 January 2022	2,060,578
Fair value change of the contingent consideration payable *(Note 3.3(a))*	(988,615)
Currency translation differences	108,608
As at 31 December 2022	1,180,571
As at 1 January 2023	**1,180,571**
Fair value change of the contingent consideration payable *(Note 3.3(a))*	**124,434**
Currency translation differences	**17,828**
As at 31 December 2023	**1,322,833**

34 CONTINGENT CONSIDERATION PAYABLE (Continued)

Represented by	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Current portion	**1,322,833**	569,762
Non-current portion	**—**	610,809
	1,322,833	1,180,571

The fair value of the contingent consideration arrangement as at 31 December 2023 and 2022 was determined by using binomial option pricing model based on the valuation undertaken by an external independent valuer. The significant unobservable inputs into the model as at 31 December 2023 and 2022 are as follows:

	At 31 December 2023	At 31 December 2022
Stock price (HK$)	**1.73**	1.95
Expected volatility (%)	**48.18**	60.6–64.7

Fair value change of the contingent consideration payable during the year ended 31 December 2023 was primarily attributable to decrease in stock price of the Company and Virtual Cinema successfully achieving its performance target, pursuant to which probability of 100% (2022: 66%) was applied for the weighted probability to achieve performance target in the valuation model.

The fair value of the contingent consideration payable as at 31 December 2023 and 2022 is categorised as Level 3 under the fair value hierarchy. A narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs to the fair value measurement is set out below:

Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity analysis as at 31 December 2023 and 2022
Stock price	The higher the stock price, the higher the fair value of contingent consideration payable	5% increase/(decrease) in the stock price would result in increase/(decrease) in fair value by approximately RMB140,806,000 (2022: RMB97,646,000)/(RMB139,597,000) (2022: (RMB96,398,000))
Volatility	The higher the volatility, the higher the fair value of contingent consideration payable	5% increase/(decrease) in volatility would result in increase/(decrease) in fair value by approximately RMB3,075,000 (2022: RMB10,321,000)/(RMB(2,596,000) (2022: (RMB9,582,000))

35 CASH FLOW INFORMATION

(a) Cash used in operations

	2023 RMB'000	2022 RMB'000
Profit before income tax	**975,917**	849,841
Adjustments for:		
Depreciation of property, plant and equipment *(Note 6)*	**2,903**	4,159
Depreciation of right-of-use assets *(Note 7)*	**15,486**	14,531
Amortisation of other intangible assets *(Note 8)*	**2,475**	2,497
Amortisation of film and television programmes right *(Note 15)*	**1,980,649**	538,218
Net fair value change of financial assets at FVPL *(Note 17)*	**(432,009)**	24,555
Net fair value change of contingent consideration payable *(Note 34)*	**124,434**	(988,615)
Net impairment losses on financial assets *(Note 3.1(d))*	**119,336**	102,290
Gains on disposal of property, plant and equipment *(Note 30)*	**(23)**	(4,785)
Write-off of property plant and equipment *(Note 30)*	**—**	138
Share-based compensation expenses *(Note 28)*	**82,295**	91,280
Shares of losses of associates *(Note 9)*	**974**	1,551
Finance cost — net *(Note 31)*	**5,030**	32,355
Impairment of film and television programmes rights *(Note 27)*	**—**	295,838
Remeasurement film and television programmes investment funds from investors *(Note 30)*	**66,619**	(59,866)
	2,944,086	903,987
Changes in working capital:		
Inventories	**(1,914)**	1,271
Trade and bills receivables	**(1,545,070)**	39,673
Other receivables and prepayments	**(81,206)**	(1,165)
Prepayments for film and television programmes rights	**(2,320)**	(18,000)
Film and television programmes investment funds from investors	**(52,562)**	225,360
Film and television programmes rights	**(648,901)**	(2,106,449)
Trade payables	**(203,045)**	510,045
Contract liabilities	**2,496**	(9,759)
Other payables	**135,840**	204,268
Cash generated from/(used in) operations	**547,404**	(250,769)

35 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities generated from financing activities

	Lease liabilities RMB'000	Borrowings RMB'000	Contingent consideration payable RMB'000
As at 1 January 2022	(40,328)	(1,523,018)	(2,060,578)
Interest expenses on lease liabilities	(1,832)	—	—
Interest expenses on borrowing	—	(167)	—
Cash flows			
Payment for lease liabilities — principal	13,350	—	—
Payment for lease liabilities — interest *(Note 31)*	1,832	—	—
Payments for borrowings' interest	—	167	—
Proceeds from borrowing	—	(50,000)	—
Other non-cash movements			
Additions of lease liabilities *(Note 7)*	(20,776)	—	—
Disposal of lease liabilities	11,571	—	—
Interest expenses on borrowings	—	(11,250)	—
Imputed interest expense on borrowings *(Note 31)*	—	(70,919)	—
Reclassification	—	(13,161)	—
Fair value change of the contingent consideration payable	—	—	988,615
Currency translation difference	(7)	(101,568)	(108,608)
As at 31 December 2022	(36,190)	(1,769,916)	(1,180,571)
As at 1 January 2023	**(36,190)**	**(1,769,916)**	**(1,180,571)**
Interest expenses on lease liabilities	**(2,294)**	**—**	**—**
Interest expenses on borrowing	**—**	**(4,565)**	**—**
Cash flows			
Payment for lease liabilities — principal	**19,153**	**—**	**—**
Payment for lease liabilities — interest *(Note 31)*	**2,294**	**—**	**—**
Repayment of borrowings	**—**	**150,000**	**—**
Payments for borrowings' interests	**—**	**4,565**	**—**
Proceeds from borrowings	**—**	**(24,500)**	**—**
Other non-cash movements			
Additions of lease liabilities *(Note 7)*	**(44,709)**	**—**	**—**
Disposal of lease liabilities	**3,116**	**—**	**—**
Interest expenses on borrowings	**—**	**(9,997)**	**—**
Imputed interest expenses on borrowings *(Note 31)*	**—**	**(78,131)**	**—**
Fair value changes of the contingent consideration payable	**—**	**—**	**(124,434)**
Currency translation differences	**(6)**	**(22,854)**	**(17,828)**
As at 31 December 2023	**(58,636)**	**(1,755,398)**	**(1,322,833)**

36 RELATED PARTY BALANCES AND 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.

In addition to those disclosed elsewhere in the financial statements, during the years ended and as at 31 December 2023 and 2022, the Group had the following significant transactions and balances with related parties, which were carried out in the normal course of the Group's business.

(a) Name and relationship with related parties

Name	Relationship
Mr. Ke Liming ("Mr. Ke")	Director and the Chairman of the board of the Company
Tencent Holdings and its subsidiaries (Collectively "Tencent Group")	Tencent Group as a shareholder of the Company with the right to nominate an individual to represent Tencent Group as a director of the Company
Beijing Zhumeng Qiming Culture & Arts Co., Ltd.	A company controlled by Mr. Ke
Beijing Ruyi Xingrong Culture Media Co., Ltd.	A company controlled by Mr. Ke's family
Beijing Ruyi Xinxin Film Investment Co., Ltd.	A company controlled by Mr. Ke
Virtual Cinema Holding Limited	A company controlled by Mr. Ke
Mascotte Investments Limited	A company in which a key management personnel of the Group has controlling interest
Fengchuibudong Pictures (Haikou) Co., Ltd.	An associate of the Group
Xihuanjijie (Tianjin) Culture and Entertainment Co., Ltd.	An associate of the Group
Beijing Chuangwai Film and Television Culture Media Co., Ltd.	An associate of the Group

36 RELATED PARTY BALANCE AND TRANSACTIONS (Continued)

(b) Transactions with related parties

	2023 RMB'000	2022 RMB'000
(i) Rental expenses:		
— Beijing Ruyi Xinxin Film Investment Co., Ltd	**1,456**	—
— Mascotte Investments Limited*	**—**	928
	1,456	928
(ii) Online gaming and online streaming and advertising and gaming services:		
— Tencent Group	**1,139,320**	—
(iii) Internet and content delivery network costs:		
— Tencent Group	**3,413**	3,952
(iv) Film and television programmes rights allocation costs:		
— Tencent Group	**—**	3,624
(v) Gaming distribution channel fees payable:		
— Tencent Group	**22,677**	58,356

(vi) Personal guarantee provided by a director

During the years ended 31 December 2023 and 2022, one of the Group's borrowings was secured by personal guarantee from Mr. Ke as set out in Note 22.

* A company controlled by Ms. Chan Oi Ling, Maria Olimpia who has retired as a Senior management with effect from 30 September 2022.

(c) Key management compensation

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

	2023 RMB'000	2022 RMB'000
Key management compensation		
— Salaries and other employee benefits	**17,932**	12,526
— Share-based payments	**26,241**	29,106
	44,173	41,632

36 RELATED PARTY BALANCE AND TRANSACTIONS (Continued)

(d) Balances with related parties

As at 31 December 2023 and 2022, the Group had the following significant balances with related parties:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade receivable from related parties:		
— Tencent Group *(i)*	**842,364**	—
Other receivables from related parties:		
— Beijing Ruyi Xingrong Culture Media Co., Ltd *(i)*	**800**	800
— Beijing Ruyi Xinxin Film Investment Co., Ltd *(i)*	**8,218**	8,218
— Beijing Zhumeng Qiming Culture & Arts Co., Ltd *(i)*	**1,300**	1,300
	10,318	10,318
Prepayments to related parties:		
— Beijing Chuangwai Film and Television Culture Media Co., Ltd *(Note 13)*	**1,000**	1,000
Trade payables to related parties:		
— Tencent Group *(ii)*	**421**	10,343
Other payables to related parties:		
— Tencent Group *(ii)*	**105,731**	62,343
— Beijing Ruyi Xinxin Film Investments Co., Ltd *(ii)*	**5**	3,005
— Virtual Cinema Holding Limited	**—**	15
	105,736	65,363
Film and television programmes investment funds from related parties:		
— Tencent Group *(ii)*	**149,000**	149,000

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

(ii) Amounts are unsecured, interest-free and repayable on demand.

37 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

(a) The following is a list of the principal subsidiaries and controlled structured entities of the Company as at 31 December 2023 and 2022:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Registered share capital	Effective interest held by the Group as at 31 December (%)	
				2023	2022
Direct interest					
Power Wave Holdings Limited	BVI, limited liability company	Investment holding, BVI	US$1	**100%**	100%
Indirect Interest					
Mascotte Tak Ya (Dongguan) Leather Goods Manufactory Limited	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	HK$10,400,000	**100%**	100%
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong, limited liability company	Trading of accessories for photographic, electrical and multimedia product, Hong Kong	HK$2	**100%**	100%
Mascotte Dongguan Electrical Accessories Limited	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	HK$8,000,000	**100%**	100%
Shenzhen HengTen Networks Services Co., Limited	The PRC, limited liability company	Internet community services, the PRC	US$30,000,000	**100%**	100%
Beijing Xiaoming Zhumeng Data Service Co., Ltd. *(i)*	The PRC, limited liability company	Contents development, production and service provision in the telecommunication industry, the PRC	RMB20,000,000	**100%**	100%
Beijing Ruyi Jingxiu Network Technology Limited (formerly known as Shenzhen Jingxiu Network Technology Limited) *(i)*	The PRC, limited liability company	Data processing, technology development, promotion, transfer consulting and service, the PRC	RMB50,000,000	**100%**	100%
Shanghai Ruyi Film and Television Production Co., Ltd	The PRC, limited liability company	Radio television programme production and operation and film distribution, the PRC	RMB3,000,000	**100%**	100%
Beijing Ruyi Streaming Media Information Technology Co., Ltd. *(i)*	The PRC, limited liability company	Technology development, technology promotion, technology transfer, technical consultation, and technical services, the PRC	RMB200,000,000	**100%**	100%

(i) These are subsidiaries arising from the Contractual Arrangements as set out in Note 2.2 (a).

37 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (Continued)

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2023 amounted to RMB1,556,000 (2022: RMB4,192,000). No subsidiary has non-controlling interests that are material to the Group.

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	**31 December 2023 RMB'000**	31 December 2022 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**9,283,216**	6,400,991
Current assets			
Other receivables and prepayments	*(b)*	**843,314**	790,766
Cash and cash equivalents	*(c)*	**184,995**	757,987
		1,028,309	1,548,753
Total assets		**10,311,525**	7,949,744

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**222,761**	193,805
Share premium	*(a)*	**11,664,209**	9,379,095
Other reserves	*(a)*	**417,846**	401,500
Accumulated losses	*(a)*	**(3,655,578)**	(3,586,278)
Total equity		**8,649,238**	6,388,122
LIABILITIES			
Non-current liabilities			
Borrowings	*(d)*	**1,646,490**	1,545,455
Current liabilities			
Other payables and accruals		**10,271**	10,030
Amounts due to subsidiaries		**5,526**	6,137
Total liabilities		**1,662,287**	1,561,622
Total equity and liabilities		**10,311,525**	7,949,744

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2024 and was signed on its behalf.

Ke Liming
Director

Zhang Qiang
Director

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Share premium RMB'000	Contributed surplus RMB'000	Translation reserve RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	7,752,893	63,481	(86,549)	8,603	(3,496,542)	4,241,886
Loss for the year	—	—	—	—	(89,736)	(89,736)
Currency translation difference	—	—	324,685	—	—	324,685
Issuance of ordinary shares *(Note 19)*	1,626,202	—	—	—	—	1,626,202
Employees share option scheme: — share-based compensation expenses *(Note 21)*	—	—	—	91,280	—	91,280
At 31 December 2022	9,379,095	63,481	238,136	99,883	(3,586,278)	6,194,317
At 1 January 2023	**9,379,095**	**63,481**	**238,136**	**99,883**	**(3,586,278)**	**6,194,317**
Loss for the year	**—**	**—**	**—**	**—**	**(69,300)**	**(69,300)**
Currency translation difference	**—**	**—**	**(65,949)**	**—**	**—**	**(65,949)**
Issuance of ordinary shares *(Note 19)*	**2,285,114**	**—**	**—**	**—**	**—**	**2,285,114**
Employees share option scheme: — share-based compensation expenses *(Note 21)*	**—**	**—**	**—**	**82,295**	**—**	**82,295**
At 31 December 2023	**11,664,209**	**63,481**	**172,187**	**182,178**	**(3,655,578)**	**8,426,477**

(b) Other receivables and prepayments

	31 December 2023 RMB'000	31 December 2022 RMB'000
Receivables from investments in film and television programmes rights	**842,972**	790,755
Others	**342**	11
	843,314	790,766

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(c) Cash and cash equivalents

	31 December 2023 RMB'000	31 December 2022 RMB'000
Cash at banks	**184,995**	757,987

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
— HK$	**153,586**	756,778
— RMB	**20**	20
— US$	**31,388**	1,189
— EUR	**1**	—
	184,995	757,987

(d) Borrowings

	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current other borrowings:		
— Unsecured without guarantee *(Note (i))*	**1,646,490**	1,545,455

(i) As at 31 December 2023 and 2022, the borrowing was denominated in HK$, non-interest bearing and repayable in August 2026. Imputed interest has been deducted from the principal and recognised as imputed interest income at initial recognisation and subsequently amortised as imputed interest expenses in "Finance income — net" until maturity (For details, refer to Note 31).

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive of the Company for the year ended 31 December 2023 is set out below:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share-based compensation RMB'000	Allowances and benefits in kind RMB'000	Contribution to pension scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Total RMB'000
Executive directors								
Ke Liming *(i)*	8,064	1,827	3,150	—	—	185	—	13,226
Chen Xi *(ii)*	173	2,418	400	21,717	—	171	—	24,879
Zhang Qiang *(iii)*	—	1,391	—	4,524	—	153	—	6,068
Wan Chao *(iv)*	—	—	—	—	—	—	—	—
Non-Executive director								
Yang Ming *(v)*	—	—	—	—	—	—	—	—
Independent non-executive directors								
Chau Shing Yim, David	304	—	—	—	—	—	—	304
Nie Zhixin	300	—	—	—	—	—	—	300
Chen Haiquan	300	—	—	—	—	—	—	300
Shi Zhuomin	300	—	—	—	—	—	—	300
	9,441	5,636	3,550	26,241	—	509	—	45,377

39 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of every director and the chief executive of the Company for the year ended 31 December 2022 is set out below:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share-based compensation RMB'000	Allowances and benefits in kind RMB'000	Contribution to pension scheme RMB'000	Other emoluments paid or receivable in respect of directors' other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors								
Ke Liming	6,317	1,864	300	—	—	166	—	8,647
Wan Chao	—	—	—	—	—	—	—	—
Chen Xi	180	2,036	100	24,088	—	158	—	26,562
Zhang Qiang	166	1,049	50	5,018	—	140	—	6,423
Independent Non-executive Directors								
Chau Shing Yim, David	315	—	—	—	—	—	—	315
Nie Zhixin	300	—	—	—	—	—	—	300
Chen Haiquan	300	—	—	—	—	—	—	300
Shi Zhuomin	300	—	—	—	—	—	—	300
	7,878	4,949	450	29,106	—	464	—	42,847

There was no arrangement during the years ended 31 December 2023 and 2022 under which a director waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

39 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

(i) Mr. Ke Liming has been appointed as an executive Director and chairman of the Board with effect from 11 August 2021.

(ii) Ms. Chen Xi has been appointed as an executive Director of the Company with effect from 14 December 2021 and has resigned with effect from 12 January 2024.

(iii) Mr. Zhang Qiang has been appointed as executive directors of the Company with effect from 14 December 2021.

(iv) Mr. Wan Chao has been appointed as an executive Director of the Company with effect from 16 June 2020 and has resigned with effect from 28 June 2023 due to his personal work adjustment. Mr. Wan Chao did not receive any emoluments in respect of his services rendered for the Group for the years ended 31 December 2023 and 2022.

(v) Mr. Yang Ming has been appointed as an non-executive Director for a term of three years commencing from 28 June 2023. According to the letter of appointment, Mr. Yang Ming does not receive any remuneration or director's fee for his position of non-executive Director.

(vi) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries undertakings.

(vii) The values of share-based compensation are based on the share based compensation recognised for the year.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2023 (for the year ended 31 December 2022: Nil).

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

For the year ended 31 December 2023, the Group did not pay consideration to any third parties for making available directors' services (for the year ended 31 December 2022: Nil).

39 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

For the year ended 31 December 2023, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (for the year ended 31 December 2022: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

pwc 羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of China Ruyi Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 72 to 195, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

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Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

THE KEY AUDIT MATTER

The key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in our audit is related to impairment assessment of goodwill and operating licenses with indefinite useful life.

The Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and operating licenses with indefinite useful life from acquisition of Virtual Cinema Entertainment Limited ("Virtual Cinema") Refer to Notes 4(a) and 8 to the consolidated financial statements. As at 31 December 2024, there was goodwill and operating licenses with indefinite useful life with carrying amount of approximately RMB4,214,619,000 and RMB674,557,000 respectively, arisen from the acquisition of Virtual Cinema in the previous year, which in aggregate represented approximately 22.6% of the total assets of the Group. Management performed impairment test of goodwill and operating licenses with indefinite useful life by comparing their carrying amounts to the recoverable amounts of relevant cash generating units ("CGUs"). Management determined the recoverable amounts of the CGUs based on value in use ("VIU"), which is the present value of the future cash flows expected to be derived from the CGUs. Based on the assessments, management considered no impairment is necessary in respect of the goodwill and operating licenses with indefinite useful life as at 31 December 2024.	Our procedures in relation to impairment assessment of goodwill and operating licenses with indefinite useful life included: • We obtained an understanding of management's internal control and process over the impairment assessment of goodwill and operating licenses with indefinitely useful life and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity; • We assessed the model used and challenged the reasonableness of key assumptions used in the impairment assessment of goodwill and operating licenses with indefinite useful life with the involvement of our internal valuation expert, such as the revenue growth rate, gross profit margin, pre-tax discount rate and terminal growth rate, by comparing these assumptions against historical performance, relevant market data and industry research;

The Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)
We focused on this area due to the magnitude of the carrying amounts of goodwill and operating licenses with indefinite useful life and the fact that significant judgements and estimates were required by management as the VIU of the related CGUs is determined based on assumptions used in the cash flow forecast. The key assumptions adopted by management include the revenue growth rate, terminal growth rate, gross profit margin and pre-tax discount rate.	• We evaluated management's sensitivity analysis over the revenue growth rate, terminal growth rate, gross profit margin and pre-tax discount rate as adopted in the impairment test so as to assess the potential implication on the results of the impairment test for changes of assumptions within a reasonable range; and • We assessed the adequacy of related disclosures in the consolidated financial statements. Based on the work performed, we considered that the key assumptions and estimates adopted by management in the impairment assessment on goodwill and operating licenses with indefinite useful life were supportable by available evidences.

OTHER INFORMATION

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**92,177**	44,145
Right-of-use assets	*7*	**63,613**	89,394
Goodwill	*8*	**4,443,665**	4,214,619
Film and television programmes rights	*15*	**1,939,333**	1,470,456
Other intangible assets	*8*	**715,570**	679,849
Deferred tax assets	*23*	**40,424**	10,106
Investments accounted for using equity method	*9*	**33,799**	34,014
Financial assets at fair value through profit or loss	*17*	**3,117,420**	3,403,547
Financial assets at fair value through other comprehensive income	*12*	**516**	512
Prepayments and other non-financial assets	*13*	**195,773**	35,124
Deposits	*14*	**6,106**	5,533
		10,648,396	9,987,299
Current assets			
Film and television programmes rights	*15*	**1,809,113**	1,259,849
Inventories	*10*	**2,874**	2,900
Prepayments and other non-financial assets	*13*	**276,891**	278,116
Other receivables and deposits	*14*	**1,611,573**	2,055,172
Trade and bills receivables	*16*	**2,956,914**	2,417,087
Financial assets at fair value through profit or loss	*17*	**871,310**	110,833
Cash and cash equivalents	*18*	**3,493,642**	569,902
		11,022,317	6,693,859
Total assets		**21,670,713**	16,681,158
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*19*	**273,444**	222,761
Share premium	*19*	**17,069,660**	11,664,209
Other reserves	*20*	**49,736**	7,662
Accumulated losses		**(1,047,625)**	(857,092)
		16,345,215	11,037,540
Non-controlling interests		**(12,608)**	(1,556)
Total equity		**16,332,607**	11,035,984

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*22*	**479,821**	1,646,490
Lease liabilities	*7*	**37,311**	36,188
Deferred tax liabilities	*23*	**459,022**	510,886
Film and television programmes investment funds from investors	*25*	**—**	30,640
		976,154	2,224,204
Current liabilities			
Contract liabilities	*5(f)*	**18,232**	8,820
Borrowings	*22*	**1,221,043**	108,908
Trade payables	*24*	**835,888**	357,418
Film and television programmes investment funds from investors	*25*	**743,375**	708,452
Other payables and accruals	*26*	**832,924**	479,475
Current income tax liabilities		**682,124**	412,616
Lease liabilities	*7*	**28,366**	22,448
Contingent consideration payable	*34*	**—**	1,322,833
		4,361,952	3,420,970
Total liabilities		**5,338,106**	5,645,174
Total equity and liabilities		**21,670,713**	16,681,158

The consolidated financial statements on pages 72 to 195 were approved by the Board of Directors on 31 March 2025 and were signed on its behalf.

Ke Liming
Director

Zhang Qiang
Director

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2024 RMB'000**	2023 RMB'000
Revenue	*5*	**3,670,760**	3,627,247
Cost of revenue	*27*	**(1,760,345)**	(2,466,264)
Gross profit		**1,910,415**	1,160,983
Selling and marketing costs	*27*	**(161,738)**	(31,282)
Administrative expenses	*27*	**(328,608)**	(284,588)
Net impairment losses on financial assets	*3.1(d)*	**(144,525)**	(119,336)
Other income	*29*	**11,693**	16,960
Other (loss)/gain — net	*30*	**(1,222,041)**	239,184
Operating profit		**65,196**	981,921
Finance cost	*31*	**(103,574)**	(97,926)
Finance income	*31*	**110,244**	92,896
Finance income/(cost) — net	*31*	**6,670**	(5,030)
Share of losses of associates accounted for using the equity method	*9*	**(215)**	(974)
Profit before income tax		**71,651**	975,917
Income tax expenses	*32*	**(278,227)**	(293,377)
(Loss)/profit for the year, net of tax		**(206,576)**	682,540
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
Changes at fair value through other comprehensive (loss)/income		**(7)**	25
Currency translation difference		**48,056**	(10,786)
Items that will not be reclassified to profit or loss:			
Currency translation difference		**(73,247)**	(9,061)
Other comprehensive losses for the year, net of tax		**(25,198)**	(19,822)
Total comprehensive (loss)/income for the year		**(231,774)**	662,718

	Notes	**2024 RMB'000**	2023 RMB'000
(Loss)/profit attributable to:			
— Equity holders of the Company		**(190,533)**	689,758
— Non-controlling interests		**(16,043)**	(7,218)
		(206,576)	682,540
Total comprehensive (loss)/income attributable to:			
— Equity holders of the Company		**(215,731)**	669,936
— Non-controlling interests		**(16,043)**	(7,218)
		(231,774)	662,718
(Loss)/earning per share for (loss)/profit attributable to the equity holders of the Company for the years: (expressed in RMB cents per share)			
— Basic (loss)/earning per share	*33*	**(1.570)**	6.550
— Diluted (loss)/earning per share	*33*	**(1.570)**	5.968

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Share capital RMB'000 *(Note 19)*	Share premium RMB'000 *(Note 19)*	Other reserves RMB'000 *(Note 20)*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	193,805	9,379,095	(54,811)	(1,546,850)	7,971,239	4,192	7,975,431
Comprehensive income							
Profit for the year	—	—	—	689,758	689,758	(7,218)	682,540
Other comprehensive loss							
Changes in the fair value of debt instruments at fair value through other comprehensive income	—	—	25	—	25	—	25
Currency translation difference	—	—	(19,847)	—	(19,847)	—	(19,847)
Total other comprehensive loss	—	—	(19,822)	—	(19,822)	—	(19,822)
Total comprehensive (loss)/income	—	—	(19,822)	689,758	669,936	(7,218)	662,718
Transactions with equity holders							
Issuance of ordinary shares *(Note 19(a))*	28,956	2,285,114	—	—	2,314,070	—	2,314,070
Capital contribution by a non-controlling equity holder of a subsidiary	—	—	—	—	—	1,470	1,470
Employees share option scheme — share-based compensation expenses *(Note 21)*	—	—	82,295	—	82,295	—	82,295
Total transactions with equity holders	28,956	2,285,114	82,295	—	2,396,365	1,470	2,397,835
Balance at 31 December 2023	222,761	11,664,209	7,662	(857,092)	11,037,540	(1,556)	11,035,984

	Attributable to equity holders of the Company						
	Share capital RMB'000 *(Note 19)*	Share premium RMB'000 *(Note 19)*	Other reserves RMB'000 *(Note 20)*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2024	222,761	11,664,209	7,662	(857,092)	11,037,540	(1,556)	11,035,984
Comprehensive income							
Loss for the year	—	—	—	(190,533)	(190,533)	(16,043)	(206,576)
Other comprehensive loss							
Changes in the fair value of debt instruments at fair value through other comprehensive income	—	—	(7)	—	(7)	—	(7)
Currency translation difference	—	—	(25,191)	—	(25,191)	—	(25,191)
Total other comprehensive loss	—	—	(25,198)	—	(25,198)	—	(25,198)
Total comprehensive loss	—	—	(25,198)	(190,533)	(215,731)	(16,043)	(231,774)
Transactions with equity holders							
Issuance of ordinary shares *(Note 19(b))*	50,683	5,405,451	—	—	5,456,134	—	5,456,134
Disposal of subsidiaries *(Note 37)*	—	—	—	—	—	4,991	4,991
Employees share option scheme — share-based compensation expenses *(Note 21)*	—	—	67,272	—	67,272	—	67,272
Total transactions with equity holders	50,683	5,405,451	67,272	—	5,523,406	4,991	5,528,397
Balance at 31 December 2024	273,444	17,069,660	49,736	(1,047,625)	16,345,215	(12,608)	16,332,607

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from operations	*35(a)*	**604,127**	547,404
Interest paid		**(17,774)**	(6,859)
Interest received		**32,060**	7,561
Income tax paid		**(101,309)**	(4,872)
Net cash generated from operating activities		**517,104**	543,234
Cash flows in investing activities			
Purchase of property, plant and equipment		**(17,252)**	(59,649)
Purchase of intangible assets		**(395)**	—
Purchase of financial assets at fair value through profit or loss		**(1,112,732)**	(2,547,602)
Proceeds from disposal of property, plant and equipment		**—**	438
Proceeds from disposal of financial assets at fair value through profit or loss		**485,749**	120,113
Advance of receivables from investments in films and television programmes rights		**(10,000)**	(85,000)
Repayment of receivables from investments in films and television programmes rights		**188,768**	25,000
Investment in investments accounted for using the equity method	*9*	**—**	(91)
Dividend income from financial assets at fair value through other comprehensive income		**—**	27
Interest received from investments in film and television programmes rights		**943**	9,582
Advance of loans to third parties		**(1,604,133)**	(1,000,000)
Proceeds from loans to third parties		**2,006,956**	200,000
Advance of loans to related parties	*38(b)*	**(69,750)**	—
Proceeds from loans to related parties		**52,500**	—
Cash disposed from the disposal of subsidiaries	*37*	**(1,242)**	—
Acquisition of a subsidiary, net of cash acquired	*36(b)*	**(315,889)**	—
Net cash used in investing activities		**(396,477)**	(3,337,182)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	*19*	**2,925,273**	2,314,070
Proceeds from borrowings		**179,910**	24,500
Contribution from an non-controlling interest		**—**	1,470
Repayment of borrowings		**(302,304)**	(150,000)
Repayment of principal elements of leases	*35(c)*	**(26,913)**	(19,153)
Net cash generated from financing activities		**2,775,966**	2,170,887
Net increase/(decrease) in cash and cash equivalents		**2,896,593**	(623,061)
Cash and cash equivalents at the beginning of the year		**569,902**	1,189,720
Exchange gain on cash and cash equivalents		**27,147**	3,243
Cash and cash equivalents at end of year	*18*	**3,493,642**	569,902

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

1 GENERAL INFORMATION

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

The Company and its subsidiaries (the "Group") are principally engaged in content production, online streaming services, online gaming services and manufacturing and sales of accessories.

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

These consolidated financial statements are presented in thousands of Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board", or "Directors") of the Company on 31 March 2025.

2 SUMMARY OF ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2024:

HKAS 1	Classification of Liabilities as Current or Non-current (amendments)
HKAS 1	Non-current Liabilities with Covenants (amendments)
HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)
HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)

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

(b) Amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2024 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKAS 21 and HKFRS 1	Lack of Exchangeability (amendments)	1 January 2025
HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments (amendments)	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements (new standard)	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures (new standard)	1 January 2027
HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)	1 January 2027
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective. Except that certain pervasive changes in the presentation and disclosure may be restated upon the adoption of HKFRS 18.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2024 and have not been early adopted by the Group. (Continued)

HKFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

HKFRS 18 will replace HKAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements. The Group does not expect there to be a significant change in the information because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles.

2.2 Material accounting policies

2.2.1 Principles of consolidation and equity accounting

(a) Subsidiaries

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of financial position respectively.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.1 Principles of consolidation and equity accounting (Continued)

(a) Subsidiaries (Continued)

Subsidiaries controlled through contractual arrangements

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

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

— exercise equity holders' voting rights of the VIE;

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

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

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

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

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.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.1 Principles of consolidation and equity accounting (Continued)

(b) Associates

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

(c) Equity method

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

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

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

(d) Joint arrangements

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

Joint operations

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

(e) Changes in ownership interests

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

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.2 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.3 Segment reporting

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

2.2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the presentation currency of the Company. The functional currency of the Company is Hong Kong dollars ("HK$").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting currency translation differences are recognised in other comprehensive income.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.5 Intangible assets

(a) Goodwill

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

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

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

(b) Operating licences

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

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

(c) Software

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

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

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.5 Intangible assets (Continued)

(d) Internal development costs

Internal costs incurred on development projects are capitalised as intangible assets when recognition criteria are met:

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

Directly attributable costs that are capitalised include employment costs and an appropriate portion of relevant overheads. Development costs previously recognised as an expense is not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives of 3 years.

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

(e) Game source code

The game source code is acquired in a business combination and recognised at fair value at the acquisition date. The game source code is amortised using the straight-line method over its useful life of 10 years which reflects the pattern in which the game source code's future economic benefits are expected to be consumed.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.6 Film and television programmes rights

(a) Film and television programmes rights under production

Film and television programmes rights under production are carried at cost, less accumulated impairment loss. Cost includes procurement of film and television scripts, salary of directors and actors and other direct costs or expenses incurred during the production of films and television programmes rights.

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

(b) Film and television programmes rights completed

Film and television programmes rights completed are carried at cost, less accumulated amortisation and accumulated impairment losses, if any. The films and television programmes rights might be released through various distribution channels, such as theatrical release, television release or internet release, and other licensing arrangement. However, if the Group plans to consume the future economic benefits of the films and television rights substantially through the first theatrical or television release, the amortisation is then charged to profit or loss over the period of the first release of those film and television programmes rights through theatrical release or television release. Cost of television programmes rights is charged to profit or loss upon the delivery of master tapes of the respective television programmes.

(c) Licensed film and television programmes rights

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

The Group allocates cost of film and television programmes rights relevant to sub-licensing and recognise it as cost of revenue when sub-licensing the license rights to other parties.

For the rest of cost which the expected future economic benefits are expected to be consumed by subscription on the online streaming platform, it is amortised on a straight-line basis over their estimated useful lives of primarily 2 to 3 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimation being accounted for on a prospective basis.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.6 Film and television programmes rights (Continued)

(d) Current and non-current classification and derecognition

Film and television programmes rights are classified as current assets if the expected time to complete the production is within the Group's operating cycle. The remaining film and television programmes rights are classified as non-current assets.

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

(e) Film rights investments

The Group has certain investments in film and TV production projects which entitles the Group to receive a fixed and/or variable income based on the Group's investment amount and expected rate of return as specified in the respective film and TV investment agreements. The investments are carried at fair value and included in 'Financial assets at fair value through profit or loss' in the consolidated statement of financial position.

(f) Impairment

Film and television programmes rights completed and licensed film and television programmes rights are tested for impairment when impairment indicators existed, while film and television programmes rights under production are tested for impairment annually regardless of whether impairment indicators existed.

In determining whether there is any impairment indicator on film and television programmes rights completed, the Group considered, on a title-by-title basis, factors such as current market condition, political environment, latest regulatory changes, and whether there is any adverse change on the expected performance and distribution plan.

In determining whether there is any impairment indicator on the licensed film and television programmes rights, management considered them, on a portfolio basis as one CGU, together with the Group's online streaming platform where the licensed film and television programmes rights are available for subscription on its online streaming platform.

When impairment assessment is needed, management will perform impairment assessment by determining the recoverable amount through value-in-use method, which will be calculated based on the present value of future cash flows directly generated by the relevant film and television programmes rights.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.7 Film and television programmes investment funds from investors

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

2.2.8 Investments and other financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.8 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debt instruments

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

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

- Financial assets at fair value through other 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 recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other (loss)/gain — 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 (loss)/gain — net and impairment expenses are presented as separate line item in the statement of profit or loss.

- Financial assets at fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other (loss)/gain — net in the period in which it arises.

Equity instruments

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

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

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.8 Investments and other financial assets (Continued)

(d) Impairment

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

- Trade and bills receivables;
- Deposits and other receivables;
- FVOCI; and
- Cash and cash equivalents

The Group assesses, on a forward-looking basis, the expected credit losses associated with these financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

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

2.2.9 Financial liabilities

(a) Initial recognition and measurement

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

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.9 Financial liabilities (Continued)

(b) Subsequent measurement

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

(c) Derecognition

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

2.2.10 Financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.2.11 Impairment of other non-financial assets

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

2.2.12 Trade and other receivables

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

Trade and bills receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and bills receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

See Note 3.1(d) for a description of the Group's impairment policies.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.2.14 Trade and other payables

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

2.2.15 Borrowings

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

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

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

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.16 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

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

(b) Share-based payment transactions among Group entities

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

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.17 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

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

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.18 Revenue recognition

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

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

Control of the goods or services is transferred over time if the Group's performance:

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

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services. Specific criteria where revenue is recognised are described below.

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

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

A contract asset represents the Group's right to consideration for the services that the Group has transferred to the customers but is not yet unconditional. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is requited before payment of that consideration is due.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.18 Revenue recognition (Continued)

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

(a) Sales of goods

The Group manufactures and sells accessories for photographic and electrical products in wholesale market, and sells building furnishing materials in wholesale and retail market. Revenue from sales of goods is recognised when the products have been delivered to the customers. Control is considered to be transferred at the point in time when the products have been delivered to the wholesaler and the customer.

(b) Content production

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

(c) Online streaming services

The Group's online streaming services business focus on the monetisation of paid memberships as well as high quality licenses procured from different major international and domestic leading copyright suppliers, all of which are empowered by the pumpkin films online streaming platform operated by the Group and the experiences and knowledge of key management team of the online streaming services business who have years of experiences in the industry.

Under such online streaming services business model, the Group provides the users with membership services under the pumpkin films online streaming platform, online display-based advertising services (to corporate customers with media advertisements specifically displayed on the pumpkin platform), promotion advisory services and also sub-licenses film and television programmes rights to corporate customers.

For the membership services, the revenue is recognised over time during the period of membership as the users simultaneously receives and consumes the benefits provided by the membership services.

For online advertising services, the revenue is recognised over time during the advertisement display period on the pumpkin platform.

For promotion advisory services, the revenue is recognised at a point in time when the advisory materials are delivered to and confirmed by corporations.

For the sub-licensing of film and television programmes rights, the revenue is recognised at the point in time when the film and television programmes rights are available to the licensee and the licensee is able to use and benefit from the license, generally on delivery of mater file of the film and television programmes rights when a customer is provided with a right to film and television programmes rights.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.18 Revenue recognition (Continued)

(d) Online gaming services

Gaming services as a publisher and a developer

The Group acted as a publisher of a number of mobile games developed by game developers. The Group licenses these mobile games from game developers and earns service revenue by making a localized version of the licensed games and publishing them to the game players through distribution channels, including various mobile application stores and software websites, as well as other game publishers with cooperation relationship with the Group (collectively referred to as "Distribution Channels"). The mobile games published by the Group are operated under a free-to-play model whereby game players can download the games free of charge and are charged for the purchase of in-game virtual items via payment channels, such as various mobile carriers and third-party internet payment systems (collectively referred to as "Payment Channels", Distribution Channels and Payment Channels collectively referred to as "Platforms"). The Group recognises the related revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in these arrangements as stated below.

(i) Game license arrangements where the Group acts as agent

With respect to certain of the aforementioned Group's game license arrangements, the Group's primary responsibilities are the provision of market promotion and customer support services and considered itself as the agent of the game developers (i.e. the Group's customers) given that the (i) game developers are responsible for providing the game products desired by the game players; (ii) the costs incurred by the developers to develop the games are more than the licensing costs and game localizations costs incurred by the Group; (iii) the hosting and maintenance of game servers for running the online mobile games is the responsibility of the developers; (iv) the developers have the right to review and approve the pricing of in-game virtual items and the specification, modification or update of the game made by the Group. Accordingly, the Group recognises its game publishing service revenue from these licensed games on a net basis, net of the amounts paid to the game developers and commission fees paid to the Distribution Channels and Payment Channels.

The Group considers it provides a series of distinct services that are substantially the same and have the same pattern of transfer to the game developers who simultaneously receive and consume the benefits provided by the Group's services. As such, revenue is recognised in the month when related sales of in-game virtual items occur.

(ii) Game license arrangements where the Group acts as principal

With respect to certain of the aforementioned Group's game license arrangements, the Group takes primary responsibilities of the game's operation, including but not limited to determining distribution and payment channels, providing customer services, and controlling services specifications and pricing of in-game virtual items. Under this type of game license arrangement, the Group considered itself as a principal and is obligated to provide on-going services to the game players who purchased in-game virtual items to gain enhanced game-playing experiences over the average expected playing period of players ("Player Relationship Period").

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.18 Revenue recognition (Continued)

(d) Online gaming services (Continued)

Gaming services as a publisher and a developer (Continued)

(ii) Game license arrangements where the Group acts as principal (Continued)

Accordingly, the Group recognises the revenues from the third-party licensed game on a gross basis ratably over the Player Relationship Period. Contract fulfilment costs, including but not limited to commission fees paid to Distribution Channels and Payment Channels, are recognised as cost of revenues through amortisation over the Player Relationship Period, which is consistent with the pattern of recognition of the associated revenues.

Gaming promotion, advertising and game-play design advisory services to publishers

The Group provides game-play design advisory services to game publishers and receives revenue-sharing based on gross merchandise volume of the selected games. The Group considers it provides a series of distinct services that are substantially the same and that have the same pattern of transfer to the game publisher. As such, the Group recognises this revenue over time based on certain percentage of selling prices of gaming to each day.

The Group also provides game promotion and advertising services to game publishers for a fixed fee that is agreed upon between the Group and the game publishers before the commencement of the work. The Group recognises the revenue at a point in time when the advisory materials are delivered to and confirmed by the publishers or over time during the advertisement display period.

2.2.19 Earnings per share

(a) Basic earnings per shares

Basic earnings per share is calculated by dividing:

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

(b) Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.3 Other accounting policies

2.3.1 Separate financial statements

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

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

2.3.2 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Leasehold improvements	Over the shorter of lease term and useful life
Buildings	20 years
Plant and machinery	5–10 years
Furniture, fixtures and equipment	5–10 years
Network equipment	3 years
Motor vehicles	4–5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.3 Other accounting policies (Continued)

2.3.3 Inventories

Inventories mainly comprise raw material, work in progress and finished goods of textile fabric, accessories for photographic and electrical products on manufacture and sales of accessories business.

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

2.3.4 Borrowing costs

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

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

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

2.3.5 Share capital

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

2.3.6 Employee benefits

(a) Employee leave entitlements

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

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

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.3 Other accounting policies (Continued)

2.3.6 Employee benefits (Continued)

(b) Retirement benefits

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

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

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

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

2.3.7 Provisions

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

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

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

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.3 Other accounting policies (Continued)

2.3.8 Interest income

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

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

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

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

2.3.9 Dividend income

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

2.3.10 Leases

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.3 Other accounting policies (Continued)

2.3.10 Leases (Continued)

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.3 Other accounting policies (Continued)

2.3.10 Leases (Continued)

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

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

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

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

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

2.3.11 Dividend distribution

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

2.3.12 Government grant

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

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Foreign exchange risk

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

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

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

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

The directors of the Company are of the opinion that the impact on exchange difference for EUR, RMB and HK$ are immaterial as at 31 December 2024 and 2023 due to most of the transactions of the Company and its major subsidiaries are denominated in their respective functional currency. The Company and its subsidiaries do not have significant financial assets or financial liabilities denominated in currencies other than their functional currencies. Accordingly, the Group does not have significant foreign currency exposure.

(b) Price risk

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

As at 31 December 2024, if the fair values of the investments classified as financial assets at FVPL and FVOCI had been 5% higher/lower, with all other variables held constant, the Group's pre-tax profit and other components of equity would have been approximately RMB199,437,000 higher/lower (2023: RMB175,719,000 higher/lower) and approximately RMB26,000 higher/lower (2023: RMB26,000 higher/lower) respectively. Pre-tax profit for the year would increase/decrease as a result of gains/losses on financial asset classified as at FVPL. Other components of equity would increase/decrease as a result of gains/losses on financial asset classified as FVOCI.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Interest rate risk

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

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

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

As at 31 December 2024, if interest rates had been 50 basis points higher/lower, with all other variables held constant, the pre-tax profit for the year would have been approximately RMB16,568,000 higher/lower (2023: RMB2,850,000 higher/lower), mainly as a result of higher/lower interest income from bank balances.

(d) Credit risk

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

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

(i) Risk management

As at 31 December 2024 and 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

As at 31 December 2024 and 2023, 56% and 52% of the total trade and bills receivables were due from the Group's five largest customers. The directors of the Company consider these counterparties with good credit worthiness based on their past repayment history. The directors closely monitor the subsequent settlement of the customers. The Group does not grant long credit period to the counterparties.

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets

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

- Cash and cash equivalents
- Financial assets at FVOCI
- Bills receivables
- Trade receivables
- Deposits and other receivables

While cash and cash equivalents, bills receivables and financial assets at FVOCI were also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

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

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

Measurement of expected credit loss on individual basis

Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a prepayment plan with the Group, and a failure to make contractual payments. As at 31 December 2024, the balance of loss allowance in respect of these individually assessed receivables was approximately RMB62,616,000 (as at 31 December 2023: RMB63,853,000).

Measurement of expected credit loss on collective basis

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

Measurement of expected credit loss on collective basis (Continued)

To measure the expected credit losses, trade receivables have been grouped into below groups based on shared credit risk characteristics:

— State-owned companies and listed companies

For trade receivables from state-owned companies and/or listed companies and their subsidiaries, the management uses modelling approach that incorporated key parameters and assumptions, including probability of default, loss given default, exposure at default, with reference to external information from reputable external agencies such as Moody's.

— Other customers

For trade receivables from other customers being private companies that are neither state-owned or listed, the expected loss rates are based on the corresponding historical credit losses experienced, industry credit loss rates and aging profiles of trade receivables over a period of 36 months before 31 December 2024 or 1 January 2024 respectively within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and urban per capital disposable income of the PRC in which the Group sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in this factor.

As at 31 December 2024, the amount of loss allowance in respect of these collectively assessed receivables was approximately RMB234,188,000 (as at 31 December 2023: RMB98,874,000).

Impairment losses on trade receivables are presented as 'net impairment losses on financial assets' in the consolidated statement of profit or loss and other comprehensive income.

Deposits and other receivables

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

The Directors consider the probability of default upon initial recognition of assets and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Deposits and other receivables (Continued)

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 behaviour of the borrower, including changes in the payment status of borrowers and changes in the operating results of the borrower.

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

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

Management uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

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

Category	The Group's definition of category	Basis for recognition of expected credit loss provision
Stage 1	Other receivables whose credit risk is in line with original expectations.	12 months 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 contractually past due less than 90 days.	Lifetime expected losses
Stage 3	Interest and/or principal repayments are more than 90 days contractually past due or it becomes probable that a customer will enter bankruptcy.	Lifetime expected losses

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward-looking macroeconomic data.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The loss allowance for trade and other receivables as at 31 December 2024 and 2023 reconcile to the opening loss allowance as follows:

	Trade receivables RMB'000	Deposits and other receivables RMB'000	Total RMB'000
Balance as at 1 January 2023	98,400	17,685	116,085
Impairment provision	64,704	54,632	119,336
Exchange difference	(377)	313	(64)
Balance as at 31 December 2023	162,727	72,630	235,357
Balance as at 1 January 2024	**162,727**	**72,630**	**235,357**
Impairment provision	**134,472**	**10,053**	**144,525**
Exchange difference	**(395)**	**252**	**(143)**
Balance as at 31 December 2024	**296,804**	**82,935**	**379,739**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The loss allowance on trade receivables as at 31 December 2024 and 2023 was determined as follows:

	Up to 3 months past due RMB'000	3 to 6 months past due RMB'000	6 to 12 months past due RMB'000	Over 1 year past due RMB'000	Total RMB'000
As at 31 December 2024					
On collective basis					
Expected loss rate	**1.34%**	**0.89%**	**1.87%**	**22.95%**	**7.34%**
Gross carrying amount	**1,471,437**	**95,301**	**755,185**	**869,179**	**3,191,102**
Loss allowance provision	**19,694**	**848**	**14,131**	**199,515**	**234,188**
On individual basis					
Expected loss rate	**—**	**—**	**—**	**100.00%**	**100.00%**
Gross carrying amount	**—**	**—**	**—**	**62,616**	**62,616**
Loss allowance provision	**—**	**—**	**—**	**62,616**	**62,616**
Total					
Expected loss rate	**1.34%**	**0.89%**	**1.87%**	**28.13%**	**9.12%**
Gross carrying amount	**1,471,437**	**95,301**	**755,185**	**931,795**	**3,253,718**
Loss allowance provision	**19,694**	**848**	**14,131**	**262,131**	**296,804**
As at 31 December 2023					
On collective basis					
Expected loss rate	0.34%	1.77%	5.75%	18.94%	4.32%
Gross carrying amount	1,367,985	281,930	238,253	398,793	2,286,961
Loss allowance provision	4,681	4,978	13,692	75,523	98,874
On individual basis					
Expected loss rate	—	—	—	100.00%	100.00%
Gross carrying amount	—	—	—	63,853	63,853
Loss allowance provision	—	—	—	63,853	63,853
Total					
Expected loss rate	0.34%	1.77%	5.75%	30.13%	6.92%
Gross carrying amount	1,367,985	281,930	238,253	462,646	2,350,814
Loss allowance provision	4,681	4,978	13,692	139,376	162,727

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The loss allowance on deposits and other receivables as at 31 December 2024 and 2023 was determined as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 31 December 2024				
Gross carrying amount				
Receivables from investments in film and television programmes rights	1,010,450	4,488	49,206	1,064,144
Loans to third parties	436,857	—	—	436,857
Amounts due from related parties	57,083	—	—	57,083
Others	126,351	—	16,179	142,530
	1,630,741	4,488	65,385	1,700,614
Loss allowance				
Receivables from investments in film and television programmes rights	12,116	1,140	49,206	62,462
Loans to third parties	1,719	—	—	1,719
Amounts due from related parties	455	—	—	455
Others	2,120	—	16,179	18,299
	16,410	1,140	65,385	82,935
Expected credit loss rate	1.01%	25.40%	100.00%	4.88%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(d) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 31 December 2023				
Gross carrying amount				
Receivables from investments in film and television programmes rights	1,120,626	55,206	—	1,175,832
Loans to third parties	820,208	—	—	820,208
Amounts due from related parties	10,318	—	—	10,318
Others	111,443	—	15,534	126,977
	2,062,595	55,206	15,534	2,133,335
Loss allowance				
Receivables from investments in film and television programmes rights	23,207	16,296	—	39,503
Loans to third parties	16,714	—	—	16,714
Amounts due from related parties	22	—	—	22
Others	857	—	15,534	16,391
	40,800	16,296	15,534	72,630
Expected credit loss rate	1.98%	29.52%	100.00%	3.40%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factor (Continued)

(e) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2024				
Borrowings (including interest payable)	**1,224,793**	**466,756**	**68,750**	**1,760,299**
Trade payables *(Note 24)*	**835,888**	**—**	**—**	**835,888**
Film and television programmes investment funds from investors (including interest payable) *(Note a)*	**746,234**	**—**	**—**	**746,234**
Other payables (excluding provisions for other taxes and accrued salaries)	**654,702**	**—**	**—**	**654,702**
Lease liabilities	**30,591**	**21,038**	**18,112**	**69,741**
Total	**3,492,208**	**487,794**	**86,862**	**4,066,864**
As at 31 December 2023				
Borrowings (including interest payable)	111,991	—	1,874,544	1,986,535
Trade payables *(Note 24)*	357,418	—	—	357,418
Film and television programmes investment funds from investors (including interest payable) *(Note a)*	712,383	33,640	—	746,023
Other payables (excluding provisions for other taxes and accrued salaries)	348,076	—	—	348,076
Lease liabilities	24,721	22,586	15,176	62,483
Total	1,554,589	56,226	1,889,720	3,500,535

(a) Certain portion of the film and television programmes investment funds from investors, which recoup their investment amounts as appropriate by the predetermined percentage of income to be generated from the films, is subject to variable interests without fixed contractual cash outflows.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

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

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

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

The gearing ratios as at 31 December 2024 and 2023 were as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Total borrowings and lease liabilities	**1,766,541**	1,814,034
Total assets	**21,670,713**	16,681,158
Gearing ratio	**8%**	11%

There were no material changes to the gearing ratio during the year ended 31 December 2024.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

The following table presents the Group's financial assets measured and recognised at fair value as at 31 December 2024 and 2023 on a recurring basis:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2024				
Financial assets				
Financial assets at FVPL *(Note 17)*				
— Film rights investments	—	—	120,265	120,265
— Investments in listed equity securities	28,592	—	—	28,592
— Investments in unlisted funds	—	348,462	859,156	1,207,618
— Investments in unlisted companies	—	2,540,804	55,510	2,596,314
— Investments in unlisted bonds	—	35,941	—	35,941
	28,592	2,925,207	1,034,931	3,988,730
Financial assets at FVOCI *(Note 12)*				
— Listed fund	516	—	—	516
	29,108	2,925,207	1,034,931	3,989,246

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2023				
Financial assets				
Financial assets at FVPL *(Note 17)*				
— Film rights investments	—	—	34,591	34,591
— Investments in listed equity securities	125,934	—	—	125,934
— Investments in unlisted funds	—	355,549	166,000	521,549
— Investments in unlisted companies	—	2,753,373	50,000	2,803,373
— Investments in unlisted bonds	—	28,933	—	28,933
	125,934	3,137,855	250,591	3,514,380
Financial assets at FVOCI *(Note 12)*				
— Listed fund	512	—	—	512
	126,446	3,137,855	250,591	3,514,892

During the year ended 31 December 2023, certain investments in unlisted bonds (level 2) of approximately RMB36,598,000 were converted into investments in listed equity securities (level 1) as a result of the restructuring plan of the underlying portfolio company listed on the Main Board of the Hong Kong Stock Exchange.

During the year ended 31 December 2024, there were no transfers between levels 1 and 2 for recurring fair value measurements.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2023				
Financial liability				
Contingent consideration payable *(Note 34)*	—	—	1,322,833	1,322,833

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2024.

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

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

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where climate risk gives rise to a significant unobservable adjustment.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

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

The following table presents the changes in level 3 financial instruments of the Group for the years ended 31 December 2023 and 2024:

	Film rights investments RMB'000	Investments in unlisted funds RMB'000	Investments in an unlisted company RMB'000	Contingent consideration payable *(Note 34)* RMB'000	Total RMB'000
Balance as at 1 January 2023	—	136,000	—	1,180,571	1,316,571
Additions	30,550	30,000	50,000	—	110,550
Changes in fair values	33,362	—	—	124,434	157,796
Currency exchange difference	—	—	—	17,828	17,828
Disposal	(29,321)	—	—	—	(29,321)
Balance as at 31 December 2023	34,591	166,000	50,000	1,322,833	1,573,424
Balance as at 1 January 2024	**34,591**	**166,000**	**50,000**	**1,322,833**	**1,573,424**
Additions	**121,625**	**946,956**	**—**	**—**	**1,068,581**
Changes in fair values	**29,452**	**71,763**	**5,510**	**1,121,447**	**1,228,172**
Currency exchange difference	**—**	**481**	**—**	**45,836**	**46,317**
Disposal	**(65,403)**	**(326,044)**	**—**	**—**	**(391,447)**
Exercised during the year *(Note 34)*	**—**	**—**	**—**	**(2,490,116)**	**(2,490,116)**
Balance as at 31 December 2024	**120,265**	**859,156**	**55,510**	**—**	**1,034,931**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

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

The following table summarises the information about the significant unobservable inputs and valuation techniques used in recurring level 3 fair value measurement:

	Fair value as at 31 December			
	2024 RMB'000	2023 RMB'000	**Current/ Non-current**	**Valuation techniques and key inputs and relationships of unobservable inputs to fair value**
Financial assets at fair value through profit or loss:				
Film rights investments	**120,265**	34,591	Current	Expected future cash flows are discounted at rates that reflect the internal rates of return of the underlying investments. The higher internal rates of return, the lower the fair value.
Investments in unlisted funds	**859,156**	166,000	Current/Non-current	a. Market approach Reference to a combination of unobservable inputs, including market multiples. The higher the market multiples, the higher the fair value. A qualitative analysis was also conducted on these funds. b. Expected rate of return Reference to the consolidated statements from administrators of the fund. The higher the expected rate of return, the higher the fair value.
Investments in an unlisted company	**55,510**	50,000	Non-current	Market approach Reference to a combination of unobservable inputs, including market multiples. The higher the market multiples, the higher the fair value.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

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

	Fair value as at 31 December			
	2024 RMB'000	2023 RMB'000	**Current/ Non-current**	**Valuation techniques and key inputs and relationships of unobservable inputs to fair value**
Financial liability at fair value through profit or loss:				
Contingent consideration payable	—	1,322,833	Current	Reference to a combination of unobservable inputs, including probability, stock price and expected volatility. The relationship of unobservable input to fair value. For details, refer to Note 34.

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

- Trade and bills receivables
- Other receivables
- Cash and cash equivalents
- Trade and other payables
- Borrowings

There were no changes in valuation techniques during the periods.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment of goodwill and operating licenses with indefinite useful life

The Group tests annually whether goodwill and operating licenses with indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in Note 2.2.5. The recoverable amounts of CGUs are determined based on VIU, which require the use of estimates and valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment and estimation is required in establishing fair values.

Based on management's assessment, there was no impairment on goodwill and operating licenses with indefinite useful life charged to administrative expenses during the years ended 31 December 2024 and 2023.

(b) Operating licenses with indefinite useful life

The production and distribution of film and television programmes rights are extensively regulated in the PRC, which requires certain licenses and approvals to conduct and develop Internet related business. The Group holds the certain licenses that are necessary for conducting the online streaming services business in the PRC. Further, those licenses are subject to periodical renewal upon expiration. The Group can only provide the users with membership services on online streaming platform in the future with successful continuous renewal of these licenses.

The Group continuously reviews and assesses whether it complies with the criteria set by PRC legal system that need to be met when renew relevant licenses, as well as consider the historical renewal experience of itself and other market participants. The Group believes that it will comply with the relevant PRC laws and renewal conditions in the future.

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Other than the amortisation, the directors also performed impairment assessment on film and television programmes rights under production, and on licensed film and television programme rights and film and television programme rights completed which have been identified with impairment indicators, in accordance with the accounting policy stated in Note 2.2.6(f).

When performing the impairment assessment, the recoverable amount of the film and television programmes rights is determined based on VIU approach. If the recoverable amount is lower than the carrying amount, the carrying amount of the film and television programmes rights will be written down to its recoverable amount. The Group's estimation of impairment provision of film and television programmes rights reflects management's best estimate of future cash flows expected to be generated from film and television programmes rights.

During the year ended 31 December 2024, based on management's impairment assessment, no impairment (2023: Nil) of film and television programmes rights was recognised.

(d) Impairment of trade and other receivables

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

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

(e) Tax provisions

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Subsidiaries arising from contractual arrangements

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

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

(g) Estimate of Player Relationship Period

As described in Note 2.2.18(d), the Group recognises the revenues and contract fulfilment costs ratably over the estimated Player Relationship Period for games license arrangements where the Group acts as principal. The determination of Player Relationship Period is made based on the Group's best estimates that take into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on an appropriate basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

5 SEGMENT INFORMATION

(a) Description of segments and principal activities

The CODM of the Group has been identified as the executive directors of the Company who is responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

The Group's three reportable segments now comprised (1) Content production business; (2) Online streaming and online gaming businesses; and (3) Other businesses.

5 SEGMENT INFORMATION (Continued)

(b) Segment profit/(loss)

The segment results and other segment items included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024 are as follows:

	Content production business RMB'000	Online streaming and online gaming businesses RMB'000	Other businesses RMB'000	Consolidated RMB'000
Revenue				
Timing of revenue recognition				
At a point	121,570	1,390,470	36,330	1,548,370
Over time	5,473	2,116,917	—	2,122,390
	127,043	3,507,387	36,330	3,670,760
Segment (loss)/profit	(242,050)	1,539,672	(1,931)	1,295,691
Unallocated corporate expenses				(89,285)
Unallocated other losses				(1,091,299)
Unallocated finance costs — net				(43,456)
Profit before income tax				71,651
Depreciation of property, plant and equipment	9,438	6,029	341	15,808
Depreciation of right-of-use assets	21,352	8,051	3,041	32,444
Amortisation of other intangible assets	6	4,640	—	4,646
Amortisation of film and television programmes rights	99,132	767,478	—	866,610
Share of losses of associates accounted for using the equity method	215	—	—	215

During the year ended 31 December 2024, all of the segment revenue reported above was from external customers and there were no inter-segment sales.

5 SEGMENT INFORMATION (Continued)

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

The segment results and other segment items included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 are as follows:

	Content production business RMB'000	Online streaming and online gaming businesses RMB'000	Other businesses RMB'000	Inter-segment elimination RMB'000	Consolidated RMB'000
Revenue					
Timing of revenue recognition					
At a point	2,219,108	340,644	30,976	—	2,590,728
Over time	8,000	1,036,519	—	(8,000)	1,036,519
	2,227,108	1,377,163	30,976	(8,000)	3,627,247
Segment profit/(loss)	719,211	620,743	(8,502)	—	1,331,452
Unallocated corporate expenses					(102,244)
Unallocated other losses					(216,219)
Unallocated finance costs — net					(37,072)
Profit before income tax					975,917
Depreciation of property, plant and equipment	1,603	1,094	206	—	2,903
Depreciation of right-of-use assets	7,259	6,683	1,544	—	15,486
Amortisation of other intangible assets	6	2,469	—	—	2,475
Amortisation of film and television programmes rights	1,520,408	460,241	—	—	1,980,649
Share of losses of associates accounted for using the equity method	974	—	—	—	974

5 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities

Segment assets and liabilities as at 31 December 2024 are as follows:

	Content production business RMB'000	Online streaming and online gaming businesses RMB'000	Other businesses RMB'000	Consolidated RMB'000
ASSETS				
Segment assets	**7,769,095**	**5,561,489**	**27,273**	**13,357,857**
Unallocated property, plant and equipment				**1,238**
Unallocated right of use assets				**5,376**
Unallocated prepayments, other receivables and deposits				**782,930**
Financial assets at FVPL				**3,988,730**
Financial assets at FVOCI				**516**
Deferred tax assets				**40,424**
Cash and cash equivalents				**3,493,642**
Consolidated total assets				**21,670,713**
LIABILITIES				
Segment liabilities	**(1,577,392)**	**(1,150,187)**	**(18,167)**	**(2,745,746)**
Unallocated trade and other payables				**(12,561)**
Unallocated lease liabilities				**(5,866)**
Unallocated borrowings				**(1,432,787)**
Current income tax liabilities				**(682,124)**
Deferred tax liabilities				**(459,022)**
Consolidated total liabilities				**(5,338,106)**

5 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities (Continued)

Segment assets and liabilities as at 31 December 2023 are as follows:

	Content production business RMB'000	Online streaming and online gaming businesses RMB'000	Other businesses RMB'000	Consolidated RMB'000
ASSETS				
Segment assets	8,128,589	3,618,029	15,624	11,762,242
Unallocated other receivables and deposits				824,016
Financial assets at FVPL				3,514,380
Financial assets at FVOCI				512
Deferred tax assets				10,106
Cash and cash equivalents				569,902
Consolidated total assets				16,681,158
LIABILITIES				
Segment liabilities	(1,132,720)	(588,511)	(20,063)	(1,741,294)
Unallocated other payables				(11,055)
Unallocated borrowings				(1,646,490)
Contingent consideration payable				(1,322,833)
Current income tax liabilities				(412,616)
Deferred tax liabilities				(510,886)
Consolidated total liabilities				(5,645,174)

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

- all assets are allocated to reportable and operating segments, other than certain property, plant and equipment, prepayments, other receivables and deposits, right-of-use assets, financial assets at FVPL, financial assets at FVOCI, deferred tax assets and cash and cash equivalents; and
- all liabilities are allocated to reportable and operating segments, other than certain trade and other payables, lease liabilities, borrowings, contingent consideration payable, current income tax liabilities and deferred tax liabilities.

5 SEGMENT INFORMATION (Continued)

(d) Disaggregation of revenue from contracts with customers

Revenue of the Group is analysed as follows:

	2024	2023
	RMB'000	RMB'000
Content production	**127,043**	2,219,108
Online streaming and advertising services	**1,515,668**	930,872
Online gaming services	**1,991,719**	446,291
Sales of goods	**36,330**	30,976
	3,670,760	3,627,247

(e) Geographical information

The Group's operations are located in the mainland China and Hong Kong for the years ended 31 December 2024 and 2023.

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

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

	2024	2023
	RMB'000	RMB'000
Mainland China	**3,600,630**	3,600,163
Europe	**15,937**	14,237
Hong Kong	**46,412**	9,609
Others	**7,781**	3,238
	3,670,760	3,627,247

5 SEGMENT INFORMATION (Continued)

(e) Geographical information (Continued)

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Mainland China	**7,482,381**	6,572,299
Hong Kong	**7,655**	835
	7,490,036	6,573,134

(f) Liabilities related to contracts with customers

	31 December 2024 RMB'000	31 December 2023 RMB'000	1 January 2023 RMB'000
Contract liabilities *(i)*	**18,232**	8,820	6,324

(i) The increase in contract liabilities in the current reporting period was mainly attributable to the new online gaming services.

Revenue recognised in relation to contract liabilities

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
— Online streaming membership services	**6,943**	5,578

Unsatisfied performance obligations

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

5 SEGMENT INFORMATION (Continued)

(g) Information about major customers

During the year ended 31 December 2024, there are four customers individually contributed more than 10% of the Group's revenue. The revenue from these customers during the year were approximately RMB547,654,000, RMB417,271,000, RMB382,967,000 and RMB377,358,000, accounting for 15%, 11%, 10% and 10% of the Group's revenue, respectively. (2023: one customer, approximately RMB628,176,000, accounting for 17% of the Group's revenue).

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Network equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2023						
Opening net book amount	6,338	66	422	2,588	—	9,414
Additions	27,326	41	523	1,342	8,817	38,049
Depreciation charge *(Note 27)*	(1,509)	(65)	(187)	(1,142)	—	(2,903)
Disposals	—	—	—	—	(415)	(415)
Closing net book amount	32,155	42	758	2,788	8,402	44,145
As at 31 December 2023						
Cost	34,026	1,361	1,802	54,588	9,832	101,609
Accumulated depreciation	(1,871)	(1,319)	(1,044)	(51,800)	(1,430)	(57,464)
Net book amount	32,155	42	758	2,788	8,402	44,145

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Network equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2024							
Opening net book amount	32,155	—	42	758	2,788	8,402	44,145
Additions	9,770	52,292	1,025	2,285	4,172	—	69,544
Currency translation differences	—	—	—	12	2	—	14
Depreciation charge *(Note 27)*	(9,989)	(1,145)	(49)	(207)	(2,343)	(2,075)	(15,808)
Disposals	(5,684)	—	—	—	—	—	(5,684)
Disposal of subsidiaries *(Note 37)*	—	—	—	(34)	—	—	(34)
Closing net book amount	26,252	51,147	1,018	2,814	4,619	6,327	92,177
As at 31 December 2024							
Cost	38,112	52,292	2,386	4,065	58,762	9,832	165,449
Accumulated depreciation	(11,860)	(1,145)	(1,368)	(1,251)	(54,143)	(3,505)	(73,272)
Net book amount	26,252	51,147	1,018	2,814	4,619	6,327	92,177

Depreciation charge of the Group was included in the following categories in the consolidated statement of profit or loss and other comprehensive income:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Administrative expenses	**8,527**	2,697
Cost of revenue	**5,327**	205
Selling and marketing costs	**1,954**	1
	15,808	2,903

7 LEASE

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

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

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Right-of-use assets		
Building, office premises and plant	**63,500**	89,056
Warehouses	**—**	90
Motor vehicles	**113**	248
	63,613	89,394
Lease liabilities		
Current	**28,366**	22,448
Non-current	**37,311**	36,188
	65,677	58,636

Additions to the right-of-use assets during the year ended 31 December 2024 were approximately RMB50,638,000 (2023: RMB44,709,000).

The right-of-use assets derecognized due to termination of lease during the year ended 31 December 2024 were approximately RMB43,616,000 (2023: RMB3,104,000).

7 LEASE (Continued)

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

	31 December 2024 RMB'000	31 December 2023 RMB'000
Depreciation charge of right-of-use assets		
Building, office premises and plant	**32,219**	15,354
Warehouses	**90**	109
Motor vehicles	**135**	23
	32,444	15,486
Interest expenses on lease liabilities *(Note 31)*	**3,046**	2,294
Expenses relating to short-term leases (included in administrative expenses) *(Note 27)*	**3,980**	5,985

The total cash outflow for leases in 2024 was approximately RMB33,939,000 (2023: RMB27,432,000).

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

The Group leases various warehouses and office premises for long-term contracts. Rental contracts are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets cannot be used as security for borrowing purposes.

8 GOODWILL AND OTHER INTANGIBLE ASSETS

		Other intangible assets		
	Goodwill RMB'000	Software RMB'000	Operating licenses RMB'000	Total RMB'000
Year ended 31 December 2023				
Opening net book amount	4,214,619	7,767	674,557	682,324
Amortisation charge *(Note 27)*	—	(2,475)	—	(2,475)
Closing net book amount	4,214,619	5,292	674,557	679,849
As at 31 December 2023				
Cost	4,214,619	12,998	674,557	687,555
Accumulated amortisation	—	(7,706)	—	(7,706)
Net book amount	4,214,619	5,292	674,557	679,849

		Other intangible assets			
	Goodwill RMB'000	**Software RMB'000**	**Game source code RMB'000**	**Operating licenses RMB'000**	**Total RMB'000**
Year ended 31 December 2024					
Opening net book amount	**4,214,619**	**5,292**	**—**	**674,557**	**679,849**
Additions	**—**	**395**	**—**	**—**	**395**
Acquired from business combination *(Note 36(a))*	**229,046**	**32**	**39,940**	**—**	**39,972**
Amortisation charge *(Note 27)*	**—**	**(2,649)**	**(1,997)**	**—**	**(4,646)**
Closing net book amount	**4,443,665**	**3,070**	**37,943**	**674,557**	**715,570**
As at 31 December 2024					
Cost	**4,443,665**	**13,424**	**39,940**	**674,557**	**727,921**
Accumulated amortisation	**—**	**(10,354)**	**(1,997)**	**—**	**(12,351)**
Net book amount	**4,443,665**	**3,070**	**37,943**	**674,557**	**715,570**

8 GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

For the year ended 31 December 2024, amortisation of approximately RMB2,052,000 and RMB2,594,000 (2023: approximately RMB30,000 and RMB2,445,000) were included in "cost of revenue" and "administrative expenses" respectively in the consolidated statement of profit or loss and other comprehensive income.

Operating licenses with indefinite useful life which is not subject to amortisation and are tested annually for impairment.

Impairment review on the goodwill and operating licenses with indefinite useful life of the Group was conducted by management with the assistance of an independent professional valuer as at 31 December 2024, according to HKAS 36 "Impairment of assets". For the purpose of impairment review, the recoverable amount of the CGUs is the higher of its fair value less costs of disposal and its VIU.

For the purpose of impairment testing, goodwill and operating licenses with indefinite useful life have been allocated to three CGUs (namely the CGUs of content production business, online streaming services business and Beijing C4-Games).

	31 December 2024 RMB'000	31 December 2023 RMB'000
Goodwill:		
Content production business *(Note a)*	**3,278,395**	3,278,395
Online streaming services business *(Note a)*	**936,224**	936,224
	4,214,619	4,214,619
Beijing C4-Games Technology Co., Ltd ("Beijing C4-Games")	**229,046**	—
	4,443,665	4,214,619
Operating licenses with indefinite useful life:		
Online streaming services business *(Note a)*	**674,557**	674,557

(a) As at 31 December 2024 and 2023, there was goodwill and operating licenses with indefinite useful life with carrying amount of approximately RMB4,214,619,000 and RMB674,557,000 respectively, arisen from the acquisition of Virtual Cinema in the previous year.

8 GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

The Group has determined the recoverable amount of the respective CGUs based on VIU calculations which uses cash flows projections based on financial budget prepared by management covering a five-year period with a terminal value related to the future cash flows extrapolated using the estimated terminal growth rates beyond the 5-year period.

For details of the impairment testing for the CGU of Beijing C4-Games, please refer to Note 36 (c).

For the impairment testing of the CGUs of content production business and online streaming services business, the key underlying assumptions adopted as at 31 December 2024 and 2023 are summarised below:

	CGU of content production business		**CGU of online streaming services business**	
	31 December 2024	31 December 2023	**31 December 2024**	31 December 2023
Compound annual growth rate of revenue for the five-year period (%)	**80**	10	**13**	23
Gross profit margin for five-year period (%)	**31 to 57**	42 to 56	**55 to 59**	61 to 64
Pre-tax discount rate (%)	**21**	20	**37**	37
Terminal growth rate (%)	**3**	3	**3**	3

Management has determined the values assigned to each of the above key assumptions as follows:

(i) Revenue growth rate

For content production business, revenue for the 5 year period is forecasted by management based on the number of films and television programmes in different stages (including those to be released, under production, in script development and pre-planning stage), and taking reference to estimated films' box offices and television programmes' selling prices of similar genres, directors, casting and investment costs, etc.

For online streaming services business, revenue for the 5 year period is forecasted by management based on the acquisition of paid memberships as well as high quality licenses procured from different major international and domestic leading copyright suppliers, all of which were empowered by the pumpkin films online streaming platform and experiences and knowledge of key management team of the online streaming services business who have years of experiences in the industry and have been involved with the online streaming services business before the acquisition.

When estimating the revenue of the five-year period, management also took reference to the industry outlook of the PRC's films and television programmes market.

8 GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

(ii) Gross profit margin

For content production business, the budgeted gross margin of the 5 year period between 31% and 57% (2023: between 42% and 56%) was determined by the management based on past performance, the current market conditions and its expectation for market development.

For online streaming services business, the budgeted gross margin of the 5 year period between 55% and 59% (2023: between 61% and 64%) was determined by the management based on past performance, the current market conditions and its expectation for market development.

(iii) Terminal growth rate

Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates of 3% (2023: 3%).

(iv) Pre-tax discount rate

The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The management has taken into account the expected recovery of the PRC's pan-entertainment industry when applying the pre-tax discount rate.

With regard to the assessment of the value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGUs to exceed their respective recoverable amounts. As at 31 December 2024, the recoverable amount of the CGUs of content production business and online streaming services business were approximately RMB6,713,651,000 (2023: RMB6,808,065,000) and RMB3,207,991,000 (2023: RMB3,089,943,000) respectively.

The amounts are estimated to exceed the carrying amounts of the CGUs as at 31 December 2024 by approximately RMB 643,113,000 (2023: RMB809,786,000) and RMB468,592,000 (2023: RMB483,804,000), respectively. Based on above assessment, the directors of the Company have concluded that no impairment was required to be recognised for the goodwill and other intangible assets as of 31 December 2024 and 2023.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2024 RMB'000	31 December 2023 RMB'000
At the beginning of the year	**34,014**	34,897
Additions	**—**	91
Share of post-tax losses of associates	**(215)**	(974)
At the end of the year	**33,799**	34,014

As at 31 December 2024 and 2023, the Group had interests in the following associates:

Name	**Place of incorporation and kind of legal entity**	**Principal activities**	**Registered/ issued capital (RMB)**	**Percentage of ownership interest attributable to the Group**	
				2024.12.31	2023.12.31
Sichuan Wenyoudao Film and Television Culture Co., Ltd. ("Sichuan Wenyoudao")	The PRC, limited liability company	Media and film production	3,000,000	**49% *(Note a)***	100%
Fengchuibudong Pictures (Haikou) Co., Ltd.	The PRC, limited liability company	Media and film production	5,000,000	**20%**	20%
Xihuanjijie (Tianjin) Culture and Entertainment Co., Ltd.	The PRC, limited liability company	Media and film production	10,000,000	**20%**	20%
Beijingchuangwai Film and Television Culture Media Co., Ltd.	The PRC, limited liability company	Media and film production	555,600	**10% *(Note b)***	10%

(a) After the disposal mentioned on Note 37, the Group retained significant influence in Sichuan Wenyoudao. Therefore, the Group's remaining 49% equity interest in Sichuan Wenyoudao were reclassified as an investment in an associate and it had been remeasured to its fair value on the date of disposal, which is close to nil.

(b) The Group holds less than 20% of the ownership interest of the entity, however the Group has significant influence in the entity as the Group has the right to appoint director to the board of the entity.

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

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

10 INVENTORIES

	31 December 2024 RMB'000	31 December 2023 RMB'000
Raw materials	**670**	639
Work in progress	**115**	223
Finished goods	**2,089**	2,038
	2,874	2,900

(a) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The cost of inventories recognised as expense and included in "cost of revenue" during the year ended 31 December 2024 amounting to approximately RMB18,253,000 (2023: RMB14,352,000) (Note 27).

(b) For the year ended 31 December 2024, there is no provision for obsolete inventories (2023: Nil) was recognised in the consolidated statement of profit or loss and other comprehensive income in respect of the net amount of the provision/(write-back of provision) for obsolete inventories, loss on obsolete inventories, write-down of inventories and reversal of provision for obsolete inventories to their net realisable value for the year. These amounts have been included in cost of revenue in the consolidated statement of profit or loss and other comprehensive income.

11 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
Financial assets			
Financial assets at amortised cost			
Other receivables and deposits	*14*	**1,617,679**	2,060,705
Trade and bills receivables	*16*	**2,956,914**	2,417,087
Cash and cash equivalents	*18*	**3,493,642**	569,902
Financial assets at FVOCI			
Listed fund	*12*	**516**	512
Financial assets at FVPL			
Investments in listed equity securities	*17*	**28,592**	125,934
Film rights investments	*17*	**120,265**	34,591
Investments in unlisted funds	*17*	**1,207,618**	521,549
Investments in unlisted companies	*17*	**2,596,314**	2,803,373
Investments in unlisted bonds	*17*	**35,941**	28,933
		12,057,481	8,562,586
Financial liabilities			
Financial Liabilities at amortised cost			
Borrowings	*22*	**1,700,864**	1,755,398
Film and television programmes investment funds from investors	*25*	**743,375**	739,092
Trade payables	*24*	**835,888**	357,418
Other payables (excluding provisions for other taxes and accrued salaries)	*26*	**654,702**	348,076
Lease liabilities	*7*	**65,677**	58,636
Financial liability at FVPL			
Contingent consideration payable	*34*	**—**	1,322,833
		4,000,506	4,581,453

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2024 RMB'000	31 December 2023 RMB'000
Listed fund	**516**	512

13 PREPAYMENTS AND OTHER NON-FINANCIAL ASSETS

	31 December 2024 RMB'000	31 December 2023 RMB'000
Current portion		
Prepayments for:		
— Film and television programmes rights	**161,607**	187,992
— Comic books' adaptation rights	**—**	11,433
— Gaming production and promotion fees	**68,084**	11,517
— Film directors' fees	**4,000**	8,000
— Prepayment to a related party *(Note 38(d))*	**1,411**	1,000
Deductible value-added tax	**32,365**	47,772
Others	**9,424**	10,402
	276,891	278,116
Non-current portion		
Prepayments for:		
— A property	**—**	25,000
— Licensed film and television programmes rights	**195,773**	10,124
	195,773	35,124
Total	**472,664**	313,240

14 OTHER RECEIVABLES AND DEPOSITS

	31 December 2024 RMB'000	31 December 2023 RMB'000
Amounts due from related parties *(Note 38(d))*	**57,083**	10,318
Receivables from investments in film and television programmes rights *(a)*	**1,064,144**	1,175,832
Loans to third parties *(b)*	**436,857**	820,208
Others	**142,530**	126,977
	1,700,614	2,133,335
Less: Impairment for other receivables and deposits *(Note 3.1(d))*	**(82,935)**	(72,630)
	1,617,679	2,060,705
Less: non-current portion	**(6,106)**	(5,533)
	1,611,573	2,055,172

(a) The receivables are unsecured, interest-bearing at fixed rates between 5% to 15%, and repayable within 12 months.

(b) As at 31 December 2024 and 2023, the balances are interest-bearing at fixed rates of 8% and repayable within 12 months commencing from the date of the loans. Balances of RMB390,000,000 are secured with certain equity or assets and the remaining are unsecured.

15 FILM AND TELEVISION PROGRAMMES RIGHTS

	31 December 2024 RMB'000	31 December 2023 RMB'000
Film and television programmes rights completed	**790,785**	503,432
Film and television programmes rights under production	**2,163,047**	1,787,553
Licensed film and television programmes rights	**794,614**	439,320
	3,748,446	2,730,305
Less: Current portion	**(1,809,113)**	(1,259,849)
	1,939,333	1,470,456

15 FILM AND TELEVISION PROGRAMMES RIGHTS (Continued)

Movements in the Group's film and television programme rights were as follows:

	Film and television programmes rights completed RMB'000	Film and television programmes rights under production RMB'000	Licensed film and television programmes rights RMB'000	Total RMB'000
As at 1 January 2023	1,376,159	1,918,815	766,010	4,060,984
Additions	240,025	276,394	132,482	648,901
Transfer from prepayment	—	—	1,069	1,069
Amortisation charge *(Note 27)*	(1,520,408)	—	(460,241)	(1,980,649)
Transfer	407,656	(407,656)	—	—
As at 31 December 2023	503,432	1,787,553	439,320	2,730,305
As at 1 January 2024	**503,432**	**1,787,553**	**439,320**	**2,730,305**
Additions	**125,526**	**694,994**	**1,118,719**	**1,939,239**
Transfer from prepayment	**—**	**—**	**4,053**	**4,053**
Amortisation charge *(Note 27)*	**(99,132)**	**—**	**(767,478)**	**(866,610)**
Disposal of subsidiaries	**—**	**(58,541)**	**—**	**(58,541)**
Transfer	**260,959**	**(260,959)**	**—**	**—**
As at 31 December 2024	**790,785**	**2,163,047**	**794,614**	**3,748,446**

(a) Impairment assessment of film and television programmes

(i) Licensed film and television programmes

For licensed film and television programmes, no impairment indicator has been identified by management during the years ended 31 December 2024 and 2023.

15 FILM AND TELEVISION PROGRAMMES RIGHTS (Continued)

(a) Impairment assessment of film and television programmes (Continued)

(ii) Film and television programmes rights under production and completed

For film and television programmes rights under production and the completed ones with impairment indicators identified, management has performed impairment assessment using the VIU method, which is calculated based on the present value of future cash flows directly generated by the relevant film and television programmes rights.

When estimating the future cash flows to be generated by the relevant film and television programmes rights, management considers inputs including but not limited to revenue streams from different distribution channels such as theatrical release, television release or internet release, the expected timing of various revenue streams, and production and distribution costs.

When discounting the future cash flows in the VIU projections, management has used pre-tax discount rates primarily ranging from 22.34% to 23.43% (2023: 23.84% to 24.95%), which reflected time value of money and specific risks of the relevant industries.

For film and television programmes rights under production, no impairment was recognised during the years ended 31 December 2024 and 2023 based on management's assessment.

During the years ended 31 December 2024 and 2023, no impairment indicator was identified for film and television programmes rights completed.

16 TRADE AND BILLS RECEIVABLES

	31 December 2024 RMB'000	31 December 2023 RMB'000
Trade receivables from third parties	**1,959,897**	1,648,450
Trade receivables from related parties *(Note 38(d))*	**1,293,821**	842,364
	3,253,718	2,490,814
Less: allowance for impairment of trade receivables *(Note 3.1(d))*	**(296,804)**	(162,727)
	2,956,914	2,328,087
Bills receivables	**—**	89,000
	2,956,914	2,417,087

16 TRADE AND BILLS RECEIVABLES (Continued)

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
— RMB	**2,940,058**	2,413,832
— HK$	**13,509**	—
— US$	**3,347**	3,255
	2,956,914	2,417,087

(b) Trade and bills receivables mainly arose from the provision of content production, online gaming and online streaming services. The following is an aging analysis of trade and bills receivables net of allowance for impairment, based on the recognition date at the end of the reporting period.

	31 December 2024 RMB'000	31 December 2023 RMB'000
Within 90 days	**1,451,743**	1,452,304
91 days to 180 days	**94,453**	276,952
181 days to 365 days	**741,054**	224,561
1 year to 2 years	**441,263**	273,447
Over 2 years	**228,401**	189,823
	2,956,914	2,417,087

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current assets		
Investments in unlisted funds	**512,318**	521,549
Investments in unlisted companies	**2,596,314**	2,803,373
Investments in listed equity securities	**8,788**	78,625
	3,117,420	3,403,547
Current assets		
Film rights investments	**120,265**	34,591
Investments in listed equity securities	**19,804**	47,309
Investments in unlisted bonds	**35,941**	28,933
Investment in unlisted funds	**695,300**	—
	871,310	110,833
	3,988,730	3,514,380

Movements in the Group's financial assets of fair value through profit or loss were as follows:

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
At the beginning of the year	**3,514,380**	587,047
Additions	**1,106,225**	2,609,602
Disposal	**(485,749)**	(120,113)
Net fair value changes in financial assets at FVPL *(Note 30)*	**(156,927)**	432,009
Currency translation differences	**10,801**	5,835
At the end of the year	**3,988,730**	3,514,380

18 CASH AND CASH EQUIVALENTS

	31 December 2024 RMB'000	31 December 2023 RMB'000
Cash at banks	**3,493,634**	569,896
Cash on hand	**8**	6
	3,493,642	569,902

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
— US$	**1,587,267**	43,613
— RMB	**1,208,782**	371,089
— HK$	**697,592**	155,199
— EUR	**1**	1
	3,493,642	569,902

As at 31 December 2024, the Group has cash and bank balances amounting to approximately RMB1,092,714,000 (2023: RMB371,069,000) which are held in the PRC. These cash and bank balances are subject to the rule and regulations of foreign exchange control promulgated by the PRC government.

19 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000
As at 1 January 2023	10,004,647,545	193,805	9,379,095
Issuance of ordinary shares *(a)*	1,581,250,000	28,956	2,285,114
As at 1 January 2024	11,585,897,545	222,761	11,664,209
Issuance of ordinary shares *(b)*	2,753,029,307	50,683	5,405,451
As at 31 December 2024	14,338,926,852	273,444	17,069,660

(a) On 4 July 2023, the Company entered into share subscription agreements pursuant to which a maximum of 2,500,000,000 placing shares could be issued at the subscription prices of HK$1.6 per share.

During the year ended 31 December 2023, the Company issued a total of 1,581,250,000 placing shares under the aforementioned subscription agreements at the subscription prices of HK$1.6 per share with gross proceeds of approximately HK$2,530,000,000 (equivalent to approximately RMB2,316,438,000). After netting off these gross proceeds with share issuance costs, the respective share capital amount was approximately RMB28,956,000 and share premium arising from the issuance was approximately RMB2,285,114,000. The share issuance costs mainly include lawyers' fees and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These share issuance costs were treated as a deduction against the share premium arising from the issuance.

(b) During the year ended 31 December 2024, the Company issued the remaining 918,750,000 placing shares under the aforementioned subscription agreements at the subscription prices of HK$1.6 per share, with gross proceeds of approximately HK$1,470,000,000 (equivalent to approximately RMB1,337,627,000). After netting off these gross proceeds with share issuance costs, the respective share capital amount was approximately RMB16,720,000 and share premium arising from the issuance was approximately RMB1,319,519,000. The share issuance costs mainly include lawyers' fees and other related costs, which are incremental costs directly attributable to the issuance of the new shares and therefore treated as a deduction against the share premium arising from the issuance.

19 SHARE CAPITAL AND SHARE PREMIUM (Continued)

(b) (Continued)

During the year ended 31 December 2024, warrants issued by the Company for the acquisition of Virtual Cinema in 2021, which were fully exercised. The Company issued 1,834,279,307 shares at the subscription prices of HK$0.96 per share, with gross proceeds of approximately HK$1,760,908,000 (equivalent to approximately RMB1,630,249,000) and transfer of contingent consideration payable amounting to approximately RMB2,490,116,000(Note 34) from financial liabilities to equity. The derecognition of the liabilities and the transfer to equity caused the share premium to increase by approximately RMB2,490,116,000. After netting off these gross proceeds with share issuance costs, the respective share capital amount was approximately RMB33,963,000 and share premium arising from the issuance was approximately RMB1,595,816,000. Among the total net proceeds, approximately RMB1,589,504,000 were settled in 2024 and approximately RMB40,745,000 of receivables from Pumpkin Films Limited, a company controlled by Mr. Ke Liming ("Mr. Ke") (Note 38(d)), were subsequently settled in January 2025.

The directors do not recommend the payment of final dividend for the years ended 31 December 2023 and 2024.

20 OTHER RESERVES

	Financial assets at FVOCI RMB'000	Special reserve RMB'000	Capital Surplus RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Reserve fund RMB'000	Enterprise expansion reserve RMB'000	Total RMB'000
Balance as at 1 January 2023	(370)	18,888	9,471	(191,356)	6,368	99,883	1,153	1,152	(54,811)
Changes in the fair value of debt instruments at FVOCI	25	—	—	—	—	—	—	—	25
Currency translation difference	7	—	—	(19,854)	—	—	—	—	(19,847)
Employees share option scheme: — share-based compensation expenses	—	—	—	—	—	82,295	—	—	82,295
Balance as at 31 December 2023	(338)	18,888	9,471	(211,210)	6,368	182,178	1,153	1,152	7,662

20 OTHER RESERVES (Continued)

	Financial assets at FVOCI RMB'000	Special reserve RMB'000	Capital Surplus RMB'000	Translation reserve RMB'000	Statutory reserve *(Note a)* RMB'000	Share option reserve *(Note b)* RMB'000	Reserve fund RMB'000	Enterprise expansion reserve RMB'000	Total RMB'000
Balance as at 1 January 2024	(338)	18,888	9,471	(211,210)	6,368	182,178	1,153	1,152	7,662
Changes in the fair value of debt instruments at FVOCI	(7)	—	—	—	—	—	—	—	(7)
Currency translation difference	11	—	—	(25,202)	—	—	—	—	(25,191)
Employees share option scheme: — share-based compensation expenses	—	—	—	—	—	67,272	—	—	67,272
Balance as at 31 December 2024	(334)	18,888	9,471	(236,412)	6,368	249,450	1,153	1,152	49,736

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

(b) The share option reserve represents the fair value of the number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 2.2.16.

21 SHARE-BASED PAYMENT

2013 Share option scheme

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

On 26 November 2021, options of 181,917,000 shares were conditionally granted under the 2013 Share Option Scheme and the exercisable period is from 26 November 2022 to 25 November 2031.

21 SHARE-BASED PAYMENT (Continued)

2013 Share option scheme (Continued)

No share option granted was exercised during the years ended 31 December 2023 and 2024.

(a) Set out below are summaries of options granted under the 2013 Share Option Scheme:

	2024		2023	
	Average exercise price per share option (HK$)	**Number of options (thousands)**	Average exercise price per share option (HK$)	Number of options (thousands)
As at 1 January	**3.43**	**181,917**	3.43	181,917
Granted during the year	**—**	**—**	—	—
Exercised during the year	**—**	**—**	—	—
Forfeited during the year	**3.43**	**(689)**	—	—
Outstanding as at 31 December	**3.43**	**181,228**	3.43	181,917
Exercisable as at 31 December		**54,368**		27,288

(b) The terms and conditions at the date of grants are as follows:

Options granted to eligible participants:	**Number of options (thousands)**	**Vesting conditions**	**Contractual life of options**
— on 26 November 2021	181,917	5% after one year, 10% after two years, 15% after three years, 30% after four years and 40% after five years from the date of grant	10 years commencing on the date of grant

The total number of share options of the Share Option Scheme outstanding was 181,228,000 and the exercise prices was HK$3.43.

21 SHARE-BASED PAYMENT (Continued)

2013 Share option scheme (Continued)

(c) Fair value of share options and assumptions

The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimates of the fair value of the share options granted are measured based on a Binomial Option Pricing Model. The contractual lives of the share option are used as an input into this model. Expectations of early exercise are incorporated into the Binomial Option Pricing Model.

Fair value of share options and assumptions

Date granted	**26 November 2021**
Fair value at measurement date	HK$1.87–HK$1.95
Share price at grant date	HK$3.43
Exercise price	HK$3.43
Expected volatility	53.72%–56.27%
Option life	10 years
Dividend yield	0%
Risk-free interest rate	1.29%–1.46%

The expected volatilities are based on the historic volatilities (calculated based on the weighted average remaining lives of the share options), adjusted for any expected changes to future volatilities based on publicly available information. Dividend yield based on estimated dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a certain service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

For the year ended 31 December 2024, the total share-based payment expenses is recognised in respect of these share options granted in prior year amounted to approximately RMB67,272,000 (2023 RMB82,295,000).

21 SHARE-BASED PAYMENT (Continued)

2023 Share option scheme

2013 Share Option Scheme was terminated by a resolution passed in the annual general meeting of the Company held on 28 June 2023. (the "2023 AGM"). A new share option scheme ("2023 Share Option Scheme") was adopted at the 2023 AGM, for the primary purpose of enabling the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group, and which will expire 10 years after the date of adoption (i.e. 27 June 2033).

The Company has not granted any share option under the 2024 Share Option Scheme during the years ended 31 December 2023 and 2024.

22 BORROWINGS

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Non-current other borrowings:		
— Unsecured with guarantee *(Note (a))*	**65,647**	—
— Unsecured without guarantee *(Note (b))*	**414,174**	1,646,490
	479,821	1,646,490
Current bank and other borrowings:		
— Unsecured with guarantee — other borrowing *(Note (a))*	**22,520**	84,408
— Unsecured without guarantee — other borrowing *(Note (b))*	**1,018,613**	—
— Unsecured with guarantee — bank borrowing *(Note (c))*	**5,000**	5,000
— Secured bank borrowings *(Note (d))*	**174,910**	19,500
	1,221,043	108,908
Total borrowings	**1,700,864**	1,755,398

(a) As at 31 December 2024 and 2023, the borrowing was denominated in RMB with fixed interest rate of 7.5% per annum and guaranteed by Mr. Ke, a director of the Company. The borrowing was originally repayable in October 2024. Pursuant to an extension of borrowing before 31 December 2024, the repayment date of the borrowing was extended to October 2027.

22 BORROWINGS (Continued)

(b) As at 31 December 2024 and 2023, the borrowing was denominated in HK$ and non-interest bearing.

The entire borrowing was originally repayable in August 2026. In December 2024, the lender agreed to reduce the principal amount in exchange for an accelerated payment schedule, with certain installments amounting to a total of approximately RMB1,018,613,000 now repayable in 2025.

As a result of the aforementioned modification, remeasurement gains amounting to approximately RMB55,140,000 were recognised in the consolidated statement of profit or loss and other comprehensive income and included in "Other (loss)/gain — net".

Imputed interest has been deducted from the principal and recognised as imputed interest income at initial recognisation and subsequently amortised as imputed interest expenses in "Finance income/(cost) — net" until maturity.

(c) As at 31 December 2024 and 2023, the borrowing is denominated in RMB with fixed interest rate of 2.90% per annum, and repayable within 1 year.

(d) As at 31 December 2024, the borrowings were denominated in RMB with fixed interest rates of 2.95% to 3.25% (2023: 3.55%) per annum. The borrowings were secured by certain trade receivables, and repayable with 1 year.

The Group's borrowings were repayable as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Within 1 years	**1,221,043**	108,908
Between 2 and 5 years	**479,821**	1,646,490
Total borrowings	**1,700,864**	1,755,398

23 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	31 December 2024 RMB'000	31 December 2023 RMB'000
Before offsetting		
— Deferred tax assets	**89,534**	47,871
— Deferred tax liabilities	**(508,132)**	(548,651)
After offsetting		
— Deferred tax assets	**40,424**	10,106
— Deferred tax liabilities	**(459,022)**	(510,886)

The movements in deferred tax assets and liabilities prior to offsetting of balances within the same taxation jurisdiction were as follows:

Deferred tax assets

	31 December 2024 RMB'000	31 December 2023 RMB'000
The balance comprises temporary differences attributable to:		
— Loss allowance for trade and other receivables	**69,064**	36,042
— Lease liabilities	**15,467**	11,829
— Advertising and promotional costs	**5,003**	—
Total	**89,534**	47,871

23 DEFERRED INCOME TAX (Continued)

Deferred tax assets (Continued)

	Loss allowance for trade and other receivables RMB'000	Lease liabilities RMB'000	Remeasurement of film and television programmes investment funds from investors RMB'000	Advertising and promotional costs RMB'000	Total RMB'000
As at 1 January 2023	9,776	5,053	8,789	1,016	24,634
Credited/(charged) to the consolidated statement of profit or loss and other comprehensive income	26,266	6,776	(8,789)	(1,016)	23,237
As at 31 December 2023	36,042	11,829	—	—	47,871
As at 1 January 2024	**36,042**	**11,829**	**—**	**—**	**47,871**
Credited to the consolidated statement of profit or loss and other comprehensive income	**33,022**	**3,638**	**—**	**5,003**	**41,663**
As at 31 December 2024	**69,064**	**15,467**	**—**	**5,003**	**89,534**

Deferred tax liabilities

	31 December 2024 RMB'000	31 December 2023 RMB'000
The balance comprises temporary differences attributable to:		
— Amortisation of film and television programmes rights	**(243,783)**	(243,783)
— Amortisation of intangible assets	**(178,767)**	(169,892)
— Right-of-use assets	**(15,041)**	(11,240)
— Fair value changes of financial instruments	**(70,541)**	(123,736)
	(508,132)	(548,651)

23 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities (Continued)

Movement	Amortisation of film and television programmes rights RMB'000	Amortisation of intangible assets RMB'000	Right-of-use assets RMB'000	Fair value changes of financial instruments RMB'000	Total RMB'000
As at 1 January 2023	(280,643)	(170,501)	(4,712)	(357)	(456,213)
Credit/(Charged) to the consolidated statement of profit or loss and other comprehensive income	36,860	609	(6,528)	(123,379)	(92,438)
As at 31 December 2023	(243,783)	(169,892)	(11,240)	(123,736)	(548,651)
As at 1 January 2024	**(243,783)**	**(169,892)**	**(11,240)**	**(123,736)**	**(548,651)**
Credit/(Charged) to the consolidated statement of profit or loss and other comprehensive income	**—**	**1,110**	**(3,801)**	**53,195**	**50,504**
Acquired from business combination *(Note 36)*	**—**	**(9,985)**	**—**	**—**	**(9,985)**
As at 31 December 2024	**(243,783)**	**(178,767)**	**(15,041)**	**(70,541)**	**(508,132)**

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of approximately RMB727,662,000 (2023: approximately RMB712,607,000) in respect of tax losses amounting to RMB4,485,535,000 (2023: RMB4,396,357,000) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. Tax losses of approximately RMB152,089,000 (2023: approximately RMB58,755,000) arising from the PRC subsidiaries will expire in various dates up to 2029 (2023: 2028). Other tax losses may be carried forward indefinitely.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings of these subsidiaries amounted to approximately RMB3,286,621,000 as at 31 December 2024 (2023: RMB1,947,166,000).

24 TRADE PAYABLES

	31 December 2024 RMB'000	31 December 2023 RMB'000
Trade payables to:		
— Third parties	**769,099**	356,997
— Related parties *(Note 38(d))*	**66,789**	421
	835,888	357,418

Trade payables were denominated in the following currencies:

	31 December 2024 RMB'000	31 December 2023 RMB'000
— RMB	**777,114**	270,705
— HK$	**1,016**	312
— US$	**57,758**	86,401
	835,888	357,418

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Within 60 days	**194,854**	330,995
61 days to 150 days	**490,215**	25,125
Over 151 days	**150,819**	1,298
	835,888	357,418

The carrying amounts of trade payables approximate their fair values as at 31 December 2024 and 2023.

25 FILM AND TELEVISION PROGRAMMES INVESTMENT FUNDS FROM INVESTORS

	31 December 2024 RMB'000	31 December 2023 RMB'000
Film and television programmes investment funds from investors		
— Third parties	**573,255**	590,092
— Related parties *(Note 38(d))*	**170,120**	149,000
	743,375	739,092

Represented by	**31 December 2024 RMB'000**	31 December 2023 RMB'000
Current portion	**743,375**	708,452
Non-current portion	**—**	30,640
	743,375	739,092

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

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

26 OTHER PAYABLES AND ACCRUALS

	31 December 2024 RMB'000	31 December 2023 RMB'000
Other payables and accrued expenses	**72,454**	57,529
Payables to gaming developers	**4,230**	42,382
Advance receipt of film issuance and production	**425,745**	151,299
Provisions for other taxes	**135,278**	110,529
Consideration payable for an investment in an unlisted company	**—**	12,000
Amounts due to related parties in relation to *(Note 38 (d))*:		
— gaming distribution channels	**74,888**	105,731
— a gaming developer	**91,811**	—
— an investor for film issuance and production	**28,513**	—
— others	**5**	5
	832,924	479,475

Other payables and accruals were denominated in the following currencies:

	31 December 2024 RMB'000	31 December 2023 RMB'000
— RMB	**820,194**	465,845
— HK$	**12,730**	13,630
	832,924	479,475

The carrying amounts of other payables approximate their fair values as at 31 December 2024 and 2023.

27 EXPENSES BY NATURE

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

	2024	2023
	RMB'000	RMB'000
Employees benefit expenses (including directors' emoluments) *(Note 28)*	**220,166**	152,585
Share-based compensation expenses *(Note 21)*	**67,272**	82,295
Costs of gaming development, content revenue-sharing, distribution and promotion and payment handling fees	**448,581**	345,019
Cost of inventories sold *(Note 10)*	**18,253**	14,352
Amortisation		
— Film and television programmes rights *(Note 15)*	**866,610**	1,980,649
— Other intangible assets *(Note 8)*	**4,646**	2,475
Depreciation		
— Property, plant and equipment *(Note 6)*	**15,808**	2,903
— Right-of-use assets *(Note 7)*	**32,444**	15,486
Advertising and promotion costs	**408,851**	29,275
Bandwidth and server custody fees	**41,970**	44,515
Rental expenses *(Note 7)*	**3,980**	5,985
Travelling expenses	**7,165**	3,086
Technical and development services fee	**12,255**	3,408
Auditor's remuneration		
— Audit services	**5,500**	5,500
— Non-audit services	**2,000**	1,499
Others	**95,190**	93,102
	2,250,691	2,782,134

28 STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS

	2024	2023
	RMB'000	RMB'000
Wages and salaries	**183,781**	123,592
Pension costs — statutory pension *(b)*	**14,870**	12,507
Staff welfare	**13,580**	9,632
Medical benefits	**7,935**	6,854
	220,166	152,585

28 STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(a) Five highest paid individuals

During the year ended 31 December 2024, one (2023: two) of the five highest paid individuals is director whose emolument is reflected in the analysis shown in Note 41. The emoluments of the remaining four (2023: three) individual employees were as follows:

	2024	2023
	RMB'000	RMB'000
Salaries and other benefits	**11,532**	5,279
Bonuses	**1,783**	2,222
Retirement scheme contributions	**302**	252
Share-based compensation	**36,592**	44,599
	50,209	52,352

The emoluments fell within the following bands:

	No. of employees	
	2024	2023
HK$6,500,001 to HK$7,000,000	**1**	—
HK$9,500,001 to HK$10,000,000	**1**	—
HK$11,500,001 to HK$12,000,000	**1**	—
HK$12,000,001 to HK$12,500,000	**—**	1
HK$13,500,001 to HK$14,000,000	**—**	1
HK$26,500,001 to HK$27,000,000	**1**	—
HK$32,000,001 to HK$32,500,000	**—**	1
	4	3

28 STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(b) Pensions — defined contribution plans

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

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

There was no forfeited contribution utilized to offset employers' contributions for the year ended 31 December 2024 (2023: Nil). There was no forfeited contribution available to reduce the contribution payable in the future year as at 31 December 2024 (2023: Nil).

29 OTHER INCOME

	2024	2023
	RMB'000	RMB'000
Government grants	**11,661**	13,590
Tax credit of input tax additional deduction	**—**	3,332
Dividend income from financial assets at FVOCI	**32**	38
	11,693	16,960

30 OTHER (LOSS)/GAIN — NET

	2024 RMB'000	2023 RMB'000
Fair value changes in contingent consideration payable *(Note 34)*	**(1,121,447)**	(124,434)
Net fair value changes in financial assets at FVPL *(Note 17)*	**(156,927)**	432,009
(Loss)/gain of disposals of property, plant and equipment	**(5,684)**	23
Gain on disposals of subsidiaries *(Note 37)*	**175**	—
Remeasurement of film and television programmes investment funds from investors	**13,865**	(66,619)
Remeasurement gain from modification of borrowing *(Note 22(b))*	**55,140**	—
Others	**(7,163)**	(1,795)
Other (loss)/gain — net	**(1,222,041)**	239,184

31 FINANCE INCOME/(COST) — NET

	2024 RMB'000	2023 RMB'000
Finance income:		
— Interest income on saving deposits	**32,060**	7,561
— Interest income on receivables from investments in film and television programme rights and loans to third parties and related parties	**78,184**	85,335
	110,244	92,896
Finance cost:		
— Interest expenses on borrowings	**(14,303)**	(14,561)
— Interest expenses on film and television programmes investment funds from investors	**(3,386)**	(2,940)
— Interest expenses on lease liabilities	**(3,046)**	(2,294)
— Imputed interest expenses	**(82,839)**	(78,131)
	(103,574)	(97,926)
Finance income/(cost) — net	**6,670**	(5,030)

32 INCOME TAX EXPENSES

	2024 RMB'000	2023 RMB'000
Current income tax		
— Provision for the year	**370,394**	224,176
Deferred income tax	**(92,167)**	69,201
Income tax expenses	**278,227**	293,377

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

	2024 RMB'000	2023 RMB'000
Profit before income tax	**71,651**	975,917
Tax calculated at the tax rates applicable to profits in the respective jurisdictions	**52,002**	248,316
Tax losses and temporary differences for which no deferred income tax asset was recognised	**34,444**	16,530
Expenses not deductible for tax purposes	**207,382**	43,480
Utilisation of tax losses previously not recognised	**(15,601)**	(14,949)
	278,227	293,377

Bermuda corporate tax

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

Hong Kong profits tax

Under the two-tiered profits tax rates regime for the six months ended 30 June 2024 and 31 December 2023, the profits tax rate for the first HK$2,000,000 of assessable profits is lowered to 8.25% (half of the rate specified in Schedule 8 to the Inland Revenue Ordinance). Assessable profits above HK$2,000,000 continue to be subject to the rate of 16.5%. There is no assessable income for the year under Hong Kong profits tax.

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25%, except for a subsidiary of the Group which are entitled to preferential tax rate applicable to advanced and new technology enterprises of 15% in 2024 (2023:15%) on the estimated assessable profit for the year, based on the existing legislation, interpretations and practices in respect thereof.

33 (LOSS)/EARNING PER SHARE

(a) Basic

Basic (loss)/earning per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2024	2023
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(190,533)**	689,758
Weighted average number of ordinary shares in issue (thousands)	**12,138,635**	10,531,428
Basic (loss)/earning per share (RMB cents per share) for the year	**(1.570)**	6.550

(b) Diluted

During the year ended 31 December 2024, the Group incurred losses and the potential ordinary shares were not included in the calculation of the diluted loss per share as they are anti-dilutive. Accordingly, diluted loss per share for the year ended 31 December 2024 is the same as basic loss per share.

During the year ended 31 December 2023, Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary share being (1) share warrants (Note 34); and (2) 918,750,000 placing shares that were not yet issued and the Company's share price as at 31 December 2023 exceeds the placing price (Note 19).

The share options granted by the Company should also have potential dilutive effect on the earnings per share. During the years ended 31 December 2024 and 2023, these share options have anti-dilutive effect to the Group's diluted earnings per share.

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

33 (LOSS)/EARNING PER SHARE (Continued)

(b) Diluted (Continued)

The number of shares that would have been issued assuming the exercise of the remaining placing shares (Note 19) less the number of shares that could have been issued at fair value (determined as the average market price per share from the date of the placing shares announced through the year end of 2024). The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2024	2023
Weighted average number of ordinary shares for calculation of basic earnings per share (thousands)	**12,138,635**	10,531,428
Adjustment for:		
— share warrants (thousands)	**—**	937,476
— effect of placing shares (thousands)	**—**	88,570
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**12,138,635**	11,557,474

	2024	2023
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(190,533)**	689,758
Diluted (loss)/earning per share (RMB cents per share) for the year	**(1.570)**	5.968

34 CONTINGENT CONSIDERATION PAYABLE

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

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

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

34 CONTINGENT CONSIDERATION PAYABLE (Continued)

The contingent consideration payable at maximum of 1,834,279,307 new shares are subject to the consolidated net profit after income tax of Virtual Cinema during the period of three years, being the years ended 31 December 2021 ("FY2021"), 2022 ("FY2022") and 2023 ("FY2023").

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

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

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

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

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

The Company issued an aggregate of 1,834,279,307 shares in December 2024 pursuant to the exercise of warrants given the consolidated Net Profit of Virtual Cinema for FY2021, FY2022 and FY2023 were satisfied with Warrants Exercise Conditions thereof. For details, refer to Note 19.

34 CONTINGENT CONSIDERATION PAYABLE (Continued)

Based on the final purchase price allocation, the following table summarises the fair value movement of the consideration paid for Virtual Cinema:

	RMB'000
As at 1 January 2023	1,180,571
Fair value change of the contingent consideration payable *(Note 3.3(a))*	124,434
Currency translation differences	17,828
As at 31 December 2023	1,322,833
As at 1 January 2024	**1,322,833**
Fair value change of the contingent consideration payable *(Note 3.3(a))*	**1,121,447**
Currency translation differences	**45,836**
Amounts exercised during the year *(Note 19)*	**(2,490,116)**
As at 31 December 2024	**—**

Represented by	**31 December 2024 RMB'000**	31 December 2023 RMB'000
Current portion	—	1,322,833

The fair value of the contingent consideration arrangement as at 31 December 2023 was determined by using binomial option pricing model based on the valuation undertaken by an external independent valuer. The significant unobservable inputs into the model as at 31 December 2023 are as follows:

	31 December 2023
Stock price (HK$)	1.73
Expected volatility (%)	48.18
Weighted probability to achieve performance target (%)	100

Fair value change of the contingent consideration payable during the year ended 31 December 2024 was primarily attributable to increase in stock price of the Company.

35 CASH FLOW INFORMATION

(a) Cash used in operations

	2024	2023
	RMB'000	RMB'000
Profit before income tax	**71,651**	975,917
Adjustments for:		
Depreciation of property, plant and equipment *(Note 6)*	**15,808**	2,903
Depreciation of right-of-use assets *(Note 7)*	**32,444**	15,486
Amortisation of other intangible assets *(Note 8)*	**4,646**	2,475
Amortisation of film and television programmes right *(Note 15)*	**866,610**	1,980,649
Net fair value change of financial assets at FVPL *(Note 17)*	**156,927**	(432,009)
Fair value change of contingent consideration payable *(Note 34)*	**1,121,447**	124,434
Net impairment losses on financial assets *(Note 3.1(d))*	**144,525**	119,336
Loss/(gain) on disposal of property, plant and equipment *(Note 30)*	**5,684**	(23)
Share-based compensation expenses *(Note 27)*	**67,272**	82,295
Shares of losses of associates *(Note 9)*	**215**	974
Finance (income)/cost — net *(Note 31)*	**(6,670)**	5,030
Remeasurement film and television programmes investment funds from investors *(Note 30)*	**(13,865)**	66,619
Remeasurement gain from modification of borrowing *(Note 30)*	**(55,140)**	—
Net gain on disposal of subsidiaries *(Note 30)*	**(175)**	—
	2,411,379	2,944,086
Changes in working capital:		
Inventories	**26**	(1,914)
Trade and bills receivables	**(610,943)**	(1,545,070)
Other receivables and deposits	**(4,839)**	(20,310)
Prepayments and other non-financial assets	**(191,683)**	(63,216)
Film and television programmes investment funds from investors	**33,583**	(52,562)
Film and television programmes rights	**(1,939,239)**	(648,901)
Trade payables	**516,958**	(203,045)
Contract liabilities	**9,412**	2,496
Other payables	**379,473**	135,840
Cash generated from operations	**604,127**	547,404

35 CASH FLOW INFORMATION (Continued)

(b) Major non-cash transactions

Major non-cash transactions during the years end 31 December 2024 and 2023 were the acquisition of right-of-use assets (Note 7(a)), the transfer of contingent consideration from financial liabilities to equity and the receivables from Pumpkin Films Limited as a result of the exercise of warrants by Mr. Ke (Note 19(b)), and conversion of certain investments in unlisted bonds into listed equity securities (Note 3.3(a)(i)).

(c) Reconciliation of liabilities generated from financing activities

	Lease liabilities RMB'000	Borrowings RMB'000	Contingent consideration payable RMB'000
As at 1 January 2023	(36,190)	(1,769,916)	(1,180,571)
Interest expenses on lease liabilities	(2,294)	—	—
Interest expenses on borrowings	—	(14,561)	—
Imputed interest expenses *(Note 31)*	—	(78,131)	—
Cash flows			
Payment for lease liabilities — principal	19,153	—	—
Payment for lease liabilities — interest *(Note 31)*	2,294	—	—
Repayment of borrowings	—	150,000	—
Payments for borrowings' interests	—	4,565	—
Proceeds from borrowings	—	(24,500)	—
Other non-cash movements			
Additions of lease liabilities *(Note 7)*	(44,709)	—	—
Termination of lease	3,116	—	—
Fair value changes of the contingent consideration payable *(Note 34)*	—	—	(124,434)
Currency translation differences	(6)	(22,855)	(17,828)
As at 31 December 2023	(58,636)	(1,755,398)	(1,322,833)

35 CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities generated from financing activities (Continued)

	Lease liabilities RMB'000	Borrowings RMB'000	Contingent consideration payable RMB'000
As at 1 January 2024	**(58,636)**	**(1,755,398)**	**(1,322,833)**
Interest expenses on lease liabilities	**(3,046)**	**—**	**—**
Interest expenses on borrowings	**—**	**(14,303)**	**—**
Imputed interest expenses *(Note 31)*	**—**	**(82,839)**	**—**
Cash flows			
Payment for lease liabilities — principal	**26,913**	**—**	**—**
Payment for lease liabilities — interest *(Note 31)*	**3,046**	**—**	**—**
Repayment of borrowings	**—**	**302,304**	**—**
Payments for borrowings' interests	**—**	**10,543**	**—**
Proceeds from borrowings	**—**	**(179,910)**	**—**
Other non-cash movements			
Additions of lease liabilities *(Note 7)*	**(50,638)**	**—**	**—**
Modification of lease liabilities	**337**	**—**	**—**
Termination of lease	**16,370**	**—**	**—**
Fair value changes of the contingent consideration payable *(Note 34)*	**—**	**—**	**(1,121,447)**
Currency translation differences	**(23)**	**(36,401)**	**(45,836)**
Remeasurement gain from modification of borrowing *(Note 22(b))*	**—**	**55,140**	**—**
Transfer to equity *(Note 34)*	**—**	**—**	**2,490,116**
As at 31 December 2024	**(65,677)**	**(1,700,864)**	**—**

36 BUSINESS COMBINATION

(a) Summary of acquisition

In July 2024, the Group completed its acquisition of 100% equity interests of Beijing C4-Games for a total cash consideration of RMB317,565,000. Beijing C4-Games is mainly engaged in the development of mobile games.

Goodwill of approximately RMB229,046,000 had been recognised for the aforementioned acquisition which represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired. It is attributable to the acquired workforce and economies of scale expected to be derived from combining the operations of Beijing C4-Games with the gaming operations of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired, and liabilities assumed at the acquisition date:

	RMB'000
Purchase consideration	
Cash paid	317,565

The separately identifiable assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	1,676
Trade receivables	62,961
Other receivables and deposits	10,648
Intangible assets	
— game source code	39,940
— other	32
Trade payables	(16,298)
Current income tax liabilities	(455)
Deferred tax liabilities	(9,985)
Total identifiable net assets	88,519
Goodwill	229,046
	317,565

36 BUSINESS COMBINATION (Continued)

(b) Purchase consideration — cash outflow

	2024 RMB'000
Cash consideration paid	**317,565**
Less: Cash acquired	**(1,676)**
Net outflow of cash — investing activities	**315,889**

If Beijing C4-Games had been consolidated from 1 January 2024, consolidated revenue and consolidated net loss of the Group for the year ended 31 December 2024 would have been approximately RMB3,747,020,000 and RMB201,831,000, respectively.

(c) Impairment testing

The Group has determined the recoverable amount of the CGU of Beijing C-4 Games based on VIU calculations which uses cash flows projections based on financial budget prepared by management covering a five-year period with a terminal value related to the future cash flows extrapolated using the estimated terminal growth rates beyond the 5-year period. The key underlying assumptions adopted are summarised below:

	CGU of Beijing C-4 Games
Compound annual growth rate of revenue for the five-year period (%)	30
Gross profit margin for five-year period (%)	62 to 75
Pre-tax discount rate (%)	34
Terminal growth rate (%)	3

Management has determined the values assigned to each of the above key assumptions as follows:

(i) Revenue growth rate

For Beijing C-4 games, revenue for the 5 year period is forecasted by management based on past performance and their expectation of future business plans and market development.

When estimating the revenue of the five-year period, management also took reference to the industry outlook of the online gaming market.

(ii) Gross profit margin

For Beijing C-4 Games, the budgeted gross margin of the 5 year period between 62% and 75% was determined by the management based on past performance, the current market conditions and its expectation for market development.

36 BUSINESS COMBINATION (Continued)

(c) Impairment testing (Continued)

(iii) Terminal growth rate

Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates of 3%.

(iv) Pre-tax discount rate

The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The management has taken into account the expected recovery of the PRC's pan-entertainment industry when applying the pre-tax discount rate.

With regard to the assessment of the value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU to exceed their respective recoverable amounts. The recoverable amount of the CGU of Beijing C-4 Games was approximately RMB317,565,000. The amounts are estimated to exceed the carrying amounts.

Based on above assessment, the directors of the Company have concluded that no impairment was required to be recognised for the goodwill and other intangible assets as of 31 December 2024.

37 DISPOSAL OF FORMER SUBSIDIARIES

During the year ended 31 December 2024, the Group entered into sale and purchase agreements with various third parties, pursuant to which the Group sold its 51% to 100% equity interests in these subsidiaries to various third-parties for an aggregate cash consideration of approximately RMB2,000,000.

The aforementioned disposal did not constitute a discontinued operation as they did not represent a major line of business or geographical area of operation.

37 DISPOSAL OF FORMER SUBSIDIARIES (Continued)

The following table summarises the consideration to be received by the Group for the aforementioned disposal, the carrying amount of the assets and liabilities disposed on the dates of disposal:

	RMB'000
Consideration receivable:	
Cash receivables	2,000
Total consideration for disposal	2,000
Less: Carrying amount of net assets disposed, comprising:	
Film and television programmes rights	(58,541)
Prepayments and other non-financial assets	(2,628)
Cash and cash equivalents	(1,242)
Property, plant and equipment	(34)
Other receivables and deposits	(19)
Non-controlling interests	(4,991)
Trade payables	120
Other payables and accruals	54,260
Film and television programmes investment funds from investors	11,250
	(1,825)
Gain on disposal	175

38 RELATED PARTY BALANCES AND 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.

In addition to those disclosed elsewhere in the financial statements, during the years ended and as at 31 December 2024 and 2023, the Group had the following significant transactions and balances with related parties, which were carried out in the normal course of the Group's business.

(a) Name and relationship with related parties

Name	Relationship
Mr. Ke	Director and the Chairman of the board of the Company
Pumpkin Films Limited	A company controlled by Mr. Ke
Tencent Holdings and its subsidiaries (Collectively "Tencent Group")	Tencent Group as a shareholder of the Company with the right to nominate an individual to represent Tencent Group as a director of the Company
Beijing Zhumeng Qiming Culture & Arts Co., Ltd.	A company controlled by Mr. Ke
Beijing Ruyi Xingrong Culture Media Co., Ltd.	A company controlled by Mr. Ke's family
Beijing Ruyi Xinxin Film Investment Co., Ltd.	A company controlled by Mr. Ke
Beijing Chuangwai Film and Television Culture Media Co., Ltd.	An associate of the Group
Sichuan Wenyoudao	An associate of the Group
Wanda Film Holdings and its subsidiaries (Collectively "Wanda Film Group")	A group controlled by Mr. Ke
Shanghai Ruyi Investment Management Co., Ltd	A company controlled by Mr. Ke

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) Transactions with related parties

	2024 RMB'000	2023 RMB'000
Rental expenses:		
— Beijing Ruyi Xinxin Film Investment Co., Ltd	**1,097**	1,456
— Shanghai Ruyi Investment Management Co., Ltd	**804**	—
	1,901	1,456
Online gaming and online streaming and advertising and gaming services:		
— Tencent Group	**1,511,846**	1,139,320
Gaming promotion and other expenses:		
— Tencent Group	**72,049**	—
— Wanda Film Group	**21,228**	—
	93,277	—
Internet and content delivery network costs:		
— Tencent Group	**6,354**	3,413

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

	2024 RMB'000	2023 RMB'000
Purchase of film and television programmes rights:		
— Tencent Group	**47,659**	—
— Sichuan Wenyoudao	**1,321**	—
— Beijing Ruyi Xinxin Film Investment Co., Ltd	**748**	—
	49,728	—
Film and television programmes rights distribution revenue:		
— Tencent Group	**32,568**	—
Gaming distribution channel fees:		
— Tencent Group	**133,305**	22,677
Interest income:		
— Sichuan Wenyoudao	**1,680**	—
Receipt of film investment funds from a related party:		
— Wanda Film Group	**47,518**	—
Investment in films of a related party:		
— Wanda Film Group	**65,767**	—
Advance of loans to related parties:		
— Beijing Ruyi Xinxin Film Investment Co., Ltd	**30,000**	—
— Sichuan Wenyoudao	**39,750**	—
	69,750	—

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(c) Key management compensation

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

	2024	2023
	RMB'000	RMB'000
Key management compensation		
— Salaries and other employee benefits	**15,545**	17,932
— Share-based payments	**3,712**	26,241
	19,257	44,173

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(d) Balances with related parties

As at 31 December 2024 and 2023, the Group had the following significant balances with related parties:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Trade receivable from related parties:		
— Tencent Group *(i)*	**1,293,821**	842,364
Other receivables from related parties:		
— Pumpkin Films Limited *(Note 19(b))*	**40,745**	—
— Beijing Ruyi Xinxin Film Investment Co., Ltd *(i)*	**8,218**	8,218
— Sichuan Wenyoudao *(i)*	**6,020**	—
— Beijing Zhumeng Qiming Culture & Arts Co., Ltd *(i)*	**1,300**	1,300
— Beijing Ruyi Xingrong Culture Media Co., Ltd *(i)*	**800**	800
	57,083	10,318
Prepayments to related parties:		
— Beijing Chuangwai Film and Television Culture Media Co., Ltd *(Note 13)*	**1,000**	1,000
— Wanda Film Group *(Note 13)*	**411**	—
	1,411	1,000
Trade payables to related parties:		
— Tencent Group *(ii)*	**50,749**	421
— Wanda Film Group *(ii)*	**15,367**	—
— Beijing Ruyi Xinxin Film Investment Co., Ltd *(ii)*	**673**	—
	66,789	421
Other payables to related parties:		
— Tencent Group *(ii)*	**166,699**	105,731
— Wanda Film Group *(ii)*	**28,513**	—
— Beijing Ruyi Xinxin Film Investments Co., Ltd *(ii)*	**5**	5
	195,217	105,736
Film and television programmes investment funds from related parties:		
— Tencent Group	**149,000**	149,000
— Wanda Film Group	**21,120**	—
	170,120	149,000

38 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(d) Balances with related parties (Continued)

	31 December 2024 RMB'000	31 December 2023 RMB'000
Film investments in related party:		
— Wanda Film Group	**65,767**	—

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

(ii) Amounts are unsecured, interest-free and repayable on demand.

39 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

(a) The following is a list of the principal subsidiaries and controlled structured entities of the Company as at 31 December 2024 and 2023:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Registered share capital	Effective interest held by the Group as at 31 December (%) 2024	2023
Direct interest					
Power Wave Holdings Limited	BVI, limited liability company	Investment holding, BVI	US$1	**100%**	100%
Indirect Interest					
Mascotte Tak Ya (Dongguan) Leather Goods Manufactory Limited	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	HK$10,400,000	**100%**	100%
Mascotte Industrial Associates (Hong Kong) Limited	Hong Kong, limited liability company	Trading of accessories for photographic, electrical and multimedia product, Hong Kong	HK$2	**100%**	100%
Mascotte Dongguan Electrical Accessories Limited	The PRC, limited liability company	Manufacture of accessories for photographic, electrical and multimedia products, the PRC	HK$8,000,000	**100%**	100%
Shenzhen HengTen Networks Services Co., Limited	The PRC, limited liability company	Internet community services, the PRC	US$30,000,000	**100%**	100%
Beijing Xiaoming Zhumeng Data Service Co., Ltd. *(i)*	The PRC, limited liability company	Contents development, production and service provision in the telecommunication industry, the PRC	RMB20,000,000	**100%**	100%
Beijing Ruyi Jingxiu Network Technology Limited (formerly known as Shenzhen Jingxiu Network Technology Limited) *(i)*	The PRC, limited liability company	Data processing, technology development, promotion, transfer consulting and service, the PRC	RMB50,000,000	**100%**	100%
Shanghai Ruyi Movie Television Production Co., Ltd. *(i)*	The PRC, limited liability company	Radio television programme production and operation and film distribution, the PRC	RMB3,000,000	**100%**	100%
Beijing Ruyi Streaming Media Information Technology Co., Ltd. *(i)*	The PRC, limited liability company	Technology development, technology promotion, technology transfer, technical consultation, and technical services, the PRC	RMB200,000,000	**100%**	100%
Beijing C4-Games *(i)*	The PRC, limited liability company	Technology development, technology promotion, technology transfer, technical consultation, and technical services, the PRC	RMB9,002,111	**100%**	0%

(i) These are subsidiaries arising from the Contractual Arrangements as set out in Note 2.2.1 (a).

39 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (Continued)

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2024 amounted to approximately negative RMB12,608,000 (2023: approximately negative RMB1,556,000). No subsidiary has non-controlling interests that are material to the Group.

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	**31 December 2024 RMB'000**	31 December 2023 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**11,677,764**	9,283,216
Property, plant and equipment		**1,238**	—
Right-of-use assets		**5,376**	—
Deposits		**807**	—
		11,685,185	9,283,216
Current assets			
Other receivables and prepayments	*(b)*	**782,125**	843,314
Cash and cash equivalents	*(c)*	**2,202,719**	184,995
		2,984,844	1,028,309
Total assets		**14,670,029**	10,311,525

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

	Note	31 December 2024 RMB'000	31 December 2023 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**273,444**	222,761
Share premium	*(a)*	**17,069,660**	11,664,209
Other reserves	*(a)*	**411,871**	417,846
Accumulated losses	*(a)*	**(4,547,341)**	(3,655,578)
Total equity		**13,207,634**	8,649,238
LIABILITIES			
Non-current liabilities			
Borrowings	*(d)*	**414,174**	1,646,490
Lease liabilities		**3,419**	—
		417,593	1,646,490
Current liabilities			
Trade payables		**748**	—
Other payables and accruals		**13,850**	10,271
Borrowings	*(d)*	**1,018,613**	—
Amounts due to subsidiaries		**9,144**	5,526
Lease liabilities		**2,447**	—
		1,044,802	15,797
Total liabilities		**1,462,395**	1,662,287
Total equity and liabilities		**14,670,029**	10,311,525

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2025 and was signed on its behalf.

Ke Liming
Director

Zhang Qiang
Director

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Share premium RMB'000	Contributed surplus RMB'000	Translation reserve RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	9,379,095	63,481	238,136	99,883	(3,586,278)	6,194,317
Loss for the year	—	—	—	—	(69,300)	(69,300)
Currency translation difference	—	—	(65,949)	—	—	(65,949)
Issuance of ordinary shares *(Note 19)*	2,285,114	—	—	—	—	2,285,114
Employees share option scheme:						
— share-based compensation expenses *(Note 21)*	—	—	—	82,295	—	82,295
At 31 December 2023	11,664,209	63,481	172,187	182,178	(3,655,578)	8,426,477
At 1 January 2024	**11,664,209**	**63,481**	**172,187**	**182,178**	**(3,655,578)**	**8,426,477**
Loss for the year	**—**	**—**	**—**	**—**	**(891,763)**	**(891,763)**
Currency translation difference	**—**	**—**	**(73,247)**	**—**	**—**	**(73,247)**
Issuance of ordinary shares *(Note 19)*	**5,405,451**	**—**	**—**	**—**	**—**	**5,405,451**
Employees share option scheme:						
— share-based compensation expenses *(Note 21)*	**—**	**—**	**—**	**67,272**	**—**	**67,272**
At 31 December 2024	**17,069,660**	**63,481**	**98,940**	**249,450**	**(4,547,341)**	**12,934,190**

(b) Other receivables and prepayments

	31 December 2024 RMB'000	31 December 2023 RMB'000
Receivables from investments in film and television programmes rights	**740,689**	842,972
Amounts due from a related party *(Note 38(d))*	**40,417**	—
Others	**1,019**	342
	782,125	843,314

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(c) Cash and cash equivalents

	31 December 2024 RMB'000	31 December 2023 RMB'000
Cash at banks	**2,202,719**	184,995

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
— US$	**1,418,244**	31,388
— HK$	**671,880**	153,586
— RMB	**112,594**	20
— EUR	**1**	1
	2,202,719	184,995

(d) Borrowings

	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current other borrowings:		
— Unsecured without guarantee *(Note 22(b))*	**414,174**	1,646,490
Current other borrowings:		
— Unsecured without guarantee *(Note 22(b))*	**1,018,613**	—

41 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive of the Company for the year ended 31 December 2024 is set out below:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share -based compensation RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Executive directors						
Ke Liming *(i)*	8,022	1,828	3,956	—	193	13,999
Zhang Qiang *(iii)*	—	1,394	100	3,712	52	5,258
Non-Executive directors						
Yang Ming *(v)*	—	—	—	—	—	—
Independent non-executive directors						
Chau Shing Yim, David	302	—	—	—	—	302
Nie Zhixin	300	—	—	—	—	300
Chen Haiquan	300	—	—	—	—	300
Shi Zhuomin	300	—	—	—	—	300
	9,224	3,222	4,056	3,712	245	20,459

41 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of every director and the chief executive of the Company for the year ended 31 December 2023 is set out below:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share -based compensation RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Executive directors						
Ke Liming *(i)*	8,064	1,827	3,150	—	185	13,226
Chen Xi *(ii)*	173	2,418	400	21,717	171	24,879
Zhang Qiang *(iii)*	—	1,391	—	4,524	153	6,068
Wan Chao *(iv)*	—	—	—	—	—	—
Non-Executive directors						
Yang Ming *(v)*	—	—	—	—	—	—
Independent non-executive directors						
Chau Shing Yim, David	304	—	—	—	—	304
Nie Zhixin	300	—	—	—	—	300
Chen Haiquan	300	—	—	—	—	300
Shi Zhuomin	300	—	—	—	—	300
	9,441	5,636	3,550	26,241	509	45,377

41 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

There was no arrangement during the years ended 31 December 2024 and 2023 under which a director waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

(i) Mr. Ke Liming has been appointed as an executive Director and chairman of the Board with effect from 11 August 2021.

(ii) Ms. Chen Xi has been appointed as an executive Director of the Company with effect from 14 December 2021 and has resigned with effect from 12 January 2024.

(iii) Mr. Zhang Qiang has been appointed as executive directors of the Company with effect from 14 December 2021.

(iv) Mr. Wan Chao has been appointed as an executive Director of the Company with effect from 16 June 2020 and has resigned with effect from 28 June 2023 due to his personal work adjustment. Mr. Wan Chao did not receive any emoluments in respect of his services rendered for the Group for the years ended 31 December 2023.

(v) Mr. Yang Ming has been appointed as a non-executive Director for a term of three years commencing from 28 June 2023. According to the letter of appointment, Mr. Yang Ming does not receive any remuneration or director's fee for his position of non-executive Director.

(vi) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries undertakings.

(vii) The values of share-based compensation are based on the share-based compensation recognised for the year.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2024 (for the year ended 31 December 2023: Nil).

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

For the year ended 31 December 2024, the Group did not pay consideration to any third parties for making available directors' services (for the year ended 31 December 2023: Nil).

41 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

For the year ended 31 December 2024, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (for the year ended 31 December 2023: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

42 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

(a) In January 2025, the Group entered into an equity transfer agreement with Tencent Group, pursuant to which the Group acquired 30% equity interest in Beijing Yonghang Technology Company Limited ("Beijing Yonghang"), a subsidiary of Tencent Group, at a total consideration of RMB825,000,000 out of which, consideration of RMB742,500,000 will be settled in cash and the remaining to be settled by the shares of the Company. Beijing Yonghang is mainly engaged in the development and operation of "QQ Dance" series games and other games.

(b) In January 2025, the Group entered into the subscription and placing agreements, pursuant to which the Group issued an aggregate of 1,635,021,096 shares at the price of HK$2.37 per share with the gross proceeds amounting to approximately HK$3,875 million.

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