

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

FINANCIAL HIGHLIGHTS

	2023	2022
	RMB'000	RMB'000
Revenue	3,627,247	1,319,928
Gross profit	1,160,983	261,615
Gross profit margin	32%	19.8%
Net profit	682,540	787,552
Adjusted net profit margin	26.7%	19.5%
Adjusted net profit ^(Note)	967,400	256,974
Basic earnings per share	RMB0.06550	RMB0.08430
Diluted earnings per share	RMB0.05968	RMB0.07629

Note: We define adjusted net profit as adjusted net profit for the year net of (i) share based compensation expense; (ii) changes in fair value of contingent consideration payable; (iii) imputed interest expense; and (iv) impairment of film and television programmes rights.

The board (the “**Board**”) of directors (the “**Directors**”) of China Ruyi Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance Summary

The Group recorded a profit attributable to owners of the Company of approximately RMB690 million for the year ended 31 December 2023, which decreased by approximately RMB100 million as compared to the profit attributable to owners of the Company of approximately RMB790 million for the year ended 31 December 2022. The decrease in the profit attributable to owners of the Company was mainly due to fair value changes in contingent consideration payable which are attributable to the Group’s successfully fulfilling the exercise conditions of the warrants and fluctuation in the Company’s stock price. The basic and diluted earnings per share were RMB0.06550 and RMB0.05968 for the year ended 31 December 2023, respectively, as compared to the basic and diluted earnings per share of RMB0.08430 and RMB0.07629 for the year ended 31 December 2022, respectively.

For the year ended 31 December 2023, the Group’s revenue substantially increased from RMB1,320 million for the year ended 31 December 2022 to RMB3,627 million for the year ended 31 December 2023, including revenue from film and television drama production, online streaming and online gaming businesses of RMB3,596 million, and revenue from other business segment of RMB31 million.

In 2023, the net profit of film and television drama production, online streaming and online gaming businesses was RMB1,163 million, representing an increase of 543% as compared with RMB181 million in 2022.

For the year ended 31 December 2023, the adjusted net profit^(Note) of the Group was RMB967.4 million, while the adjusted net profit^(Note) for the year ended 31 December 2022 was RMB257.0 million, representing an increase of 276%.

Note: We define adjusted net profit as adjusted net profit for the year net of (i) share based compensation expense; (ii) changes in fair value of contingent consideration payable; (iii) imputed interest expense; and (iv) impairment of film and television programmes rights.

Business Review and Outlook

In 2023, the Group achieved significant breakthroughs and progresses in various business segments, and the Group delivered remarkable performance in terms of revenue and profit growth. For the year ended 31 December 2023, we recorded revenue of RMB3,627 million, representing an increase of 175% as compared with last year, and adjusted profit of RMB967 million, representing an increase of 276% as compared with last year.

Development of our film and television drama production business in the “post-pandemic” era

Looking back at the development of our film and television drama production business, the profound impacts of the pandemic on the industry in recent years should not be dismissed. Despite the numerous challenges brought by the pandemic to the film and television industry, our film and television drama production business segment achieved significant growth in both revenue and profit by virtue of the responsive measures taken by the Company and the gradual recovery of the market environment. In particular, our revenue from film and television drama production during the Reporting Period amounted to RMB2,219 million, demonstrating a substantial increase as compared with last year.

Firstly, during the outbreak of the pandemic, the Group swiftly adjusted its business strategy and strengthened the reserve and production of its contents so as to meet consumers’ demand for films and television dramas in the “post-pandemic” era. Such agile and responsive mechanism enabled the Group to pursue more contents as reserve and to form a solid foundation for performance growth during the Reporting Period.

Second, as the pandemic had been gradually contained, the film and television industry witnessed a gradual recovery. The Chinese film market recorded robust growth in both box office and ticket sales in 2023. The total box office for the year reached RMB54.915 billion, and 1.299 billion tickets were sold, hitting a new high over the past four years. The Company continued to introduce a variety of popular films and television dramas to attract more viewers and cooperations with various platforms. Upon the resumption of operation of cinemas, the film and television drama production business gradually resumed normal operations, providing strong support for the revenue growth of the Company. The number of films which Ruyi Film participated in production and distribution during the Reporting Period significantly increased year on year, with a cumulative box office of RMB7.554 billion. 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 “Born to Fly” (《長空之王》), “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. The television dramas “Love is Full of Jiudaowan” (《情滿九道彎》) and “Fireworks of My Heart” (《我的人間煙火》) produced by the Company also brought good reputation and ratings to the Company.

During the 2024 Spring Festival period, the four films in which the Company 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》), a detective suspense television drama in ancient Chinese costumes starred by Zhou Yiwei and Wang Likun, which was aired during the 2024 Spring Festival and became the first suspense ancient Chinese costumes drama purchased by Netflix. “War of Faith” (《追風者》), a Republic of China era financial espionage drama directed by Yao Xiaofeng and starred by Wang Yibo, Li Qin and Wang Yang, which is currently broadcasting as at the date of this announcement, which has also received the highest viewership rating during CCTV’s prime time with positive market responses.

The Company also has an extensive pipeline of films and television dramas pending release or production, such as “HENGYANG 1944” (《援軍明日到達》), a war film with Liu Heping as the chief producer; “White Snake: Floating Life” (《白蛇：浮生》), the third animated IP film in the “White Snake” (《白蛇》) series which was jointly produced by Light Chaser Animation and us; “To the Wonder” (《我的阿勒泰》), the first Chinese language long form drama series selected as part of the Official Selection for Long Form Competition by CANNESERIES; “Upstream” (《逆行人生》), a reality film directed and starred by Xu Zheng and starred by Xin Zhilei; and films and television dramas which will successively commence production such as “Prosecutor and Boy” (《檢察官與少年》), a television drama featuring the work of prosecutors, directed by Teng Huatao and starred by Zhang Xiaofei, and “LIGHT to the night” (《黑夜告白》), a realistic criminal investigation and suspense drama directed by Wang Zhi, with Pan Yueming and Wang Hedi as double male leads, as well as a fantasy romance movie to be officially announced, which will be successively released to attain revenue in the future. Meanwhile, the Group will also continue to pursue opportunities to cooperate with international film production companies, directors and actors to jointly create more films and television dramas with global influence. The Group will continue to focus on creativity diversity and depth of content to provide diversified and attractive productions, and thus continue to create long-term value for shareholders.

Pursued the path towards film and television innovation in the AI era as led by Pumpkin Films with leading technology

As an online streaming long video platform of the Group, Pumpkin Films strives to utilise precise algorithms empowered with technology to conduct digital analysis of subscriber behavior, understand the viewing style and preferences of subscribers, and intelligently recommend personalised contents to its viewers with a vision of “Pumpkin knows you better than yourself”. As one of the largest platforms acting as the agent and the distributor in China at the same time, Pumpkin Films generated considerable revenue and profit for the Company during the Reporting Period by introducing high-quality films and top-tier new dramas on an ongoing basis.

Meanwhile, the Group has noticed that the film and television industry integrates audio, video and text, which is an ideal scenario for the application of generative AI. Established in 2023, the AI Technology Laboratory of Pumpkin Films has made remarkable progress in the field of film and television technology research and development with its internal research and development efforts for nearly a year. The in-depth application of AI technology enables technological innovation in various aspects such as script creation, characterisation, scene design, special effects generation and music composition.

In terms of script creation and development, the laboratory uses natural language processing technology to conduct in-depth text analysis of scripts. Through algorithms such as word vector representation, sentiment analysis and plot flow prediction, the system can identify emotional climaxes, plot twists and potential plot clues in scripts. Besides, the laboratory has also introduced a generative pre-training model. By fine-tuning the model parameters, it can generate dialogues and lines to align with the style and theme of scripts, which greatly extends the room of creativity for script writing. This technology has been put into trial operation for internal use in the Group, and is expected to be trained by a competent team of in-house scriptwriters. In terms of characterisation and actor selection, the laboratory uses computer vision and machine learning technology to conduct multi-dimensional analysis of the facial expressions, body language and voice features of actors. By constructing character feature vectors and actor feature vectors, the laboratory realises a precise match between a character and an actor. In addition, the laboratory applies deep learning algorithms to learn and simulate the performance styles of actors, generate performance data of virtual characters, and provide directors with diverse references as to characterisation. In terms of music composition for our films and television dramas, the laboratory uses music generation algorithms and deep learning models to automatically generate music pieces that fit the atmosphere in the plot. 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 the plot needs, which not only improves the efficiency of music composition, but also adds unique artistic charm to our films and television dramas. In terms of scene design and special effects generation, the laboratory uses technologies such as 3D modeling, rendering and physics engines to achieve realistic simulations of our film and television scenes. By learning real-world scenes through deep learning algorithms, the system can automatically generate virtual scenes that meet the needs of the plot. At the same time, the laboratory also uses computer graphics (CG) technology to perform high-precision synthesis and rendering of special effects, presenting stunning visual effects to the audience.

The Group believes that the research achievements of the AI Technology Laboratory will effectively reduce the costs of current film productions. At the same time, our films and television dramas to be released in 2024 will manifest the above technologies across various dimensions. The Group will accelerate its research and development progress and launch a number of AI movies that currently in preparation to the market as soon as possible, so as to promote industry progress and change while creating more value returns for shareholders.

Rapid revenue and profit growth recorded in the booming gaming business of JINGXIU

“JINGXIU” is a gaming business brand of the Group. The gaming business segment was established in 2022. During the Reporting Period, our revenue from online gaming services was RMB446 million, representing an increase of 703% as compared with last year.

From the perspective of industry development in general, according to the data disclosed at the Game Industry Annual Conference in December 2023, the revenue of the gaming industry in 2023 exceeded RMB300 billion for the first time, and the number of users also reached a record high of 660 million. At the same time, the publication approvals for licensed distribution of games were also stable last year, and the overall industry demonstrated a gradual recovery and steady growth.

Meanwhile, during the Reporting Period, the Company established excellent product development and distribution teams, and also conducted in-depth analysis of the development of its launched games and future operations. Based on the future development trend of the gaming industry, the Group had determined its future development direction. The Company will continue to explore joint distribution and development of more top-notch IPs. As such, the Group will develop its existing game fields with huge potential, covering Simulation Game (SLG), Massively Multiplayer Online Role-playing Game (MMORPG), Card Game and other categories. Integrating with different themes including sports, ACGN and historical culture, we are keen on differentiated innovation, continuously invest resources and put efforts, and cultivate outstanding game development and distribution teams, striving to achieve sustainable high growth in revenue.

Currently, in addition to operating its two games “The War of Three Kingdoms” (《亂世逐鹿》) and “Chuanqi Tianxia” (《傳奇天下》) which were launched in 2022, the Company has launched “Ragnarok ORIGIN” (《仙境傳說：愛如初見》) on 26 March 2024, which is popular among players and will continue to provide the Company with considerable revenue and profit in the foreseeable future. At the same time, licensed by the IP “Civilization” (《文明》) from the world-renowned game company 2K Games, “Civilization Mobile” (《世界啟元》) to be distributed by the Company and developed by Tencent Aurora Studios will also be launched in 2024. The Company also has two pipeline strategy mobile games, namely “Warpath” (《戰道》) and “Legends of the Wild” (《荒野國度》), both of which have obtained publication approvals for licensed distribution and are expected to be launched in 2024. It is expected that the revenue and profit of the gaming business segment will continue to embrace substantial growth in 2024.

At the same time, the gaming business and the film and television business of the Group cooperate and plan to launch one or more narrative interactive video games integrating live-action visuals in 2024. Some of the contents will be created and generated using AI technology, under which collaborative creation will be achieved by integrating gaming, film production and artificial intelligence on interactive video game products.

In terms of game IP reserves, the Group has reached an agreement with ChineseAll Digital Publishing Group Co. Ltd. (stock code: 300364.SZ), a leading domestic digital publishing company, to obtain the game adaptation rights for its well-known IP “Beastmaster of the Ages” (《萬古第一神》), and is considering launching the game to tie in with the broadcasting time of the animation adapted with such IP. At the same time, the Group is negotiating with a world-renowned sports brand group for the adaptation rights for various games.

In order to maintain its competitiveness and achieve sustainable growth, the Group attaches great importance to global market expansion and strategic cooperation. The Group will actively explore the opportunities to cooperate with world leading game companies in jointly developing and distributing games, thereby enhancing its market reputation and brand influence. The Company invested in Wanda Film Holding Co., Ltd. (萬達電影股份有限公司) (“**Wanda Film**”) through Shanghai Ruyi Film and Television Production Co., Ltd. (上海儒意影視製作有限公司) (“**Shanghai Ruyi**”), its controlled structured entity, during the Reporting Period. 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 the Group will be considered for global cooperative distribution so as to further reduce costs and increase profit margins. At the same time, the Company will reinforce cooperation with Tencent Holdings Limited (“**Tencent Holdings**”, together with its subsidiaries and controlled entities referred to as “**Tencent Group**”) (stock code: 0700.HK) 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, the Group will further expand its revenue streams.

Established strong alliance by investing in Wanda Film

The Company invested in Wanda Film through Shanghai Ruyi during the Reporting Period. Both parties will also strengthen their business synergies in the future. In the film industry, a partnership between a film and television production company and a cinema chain is not only a business cooperation but also a strategic initiative which can bring long-term strategic advantages to both parties.

Wanda Film is a cinema chain which holds the largest market share in China. As at 31 December 2023, it had 905 cinemas and 7,546 screens in operation in China with a market share of 16.7%. As a leading cinema chain, Wanda Film possesses a unique advantage in terms of market insight and positioning, which is of great significance as a partner of a film and television production companies.

As a cinema chain with the largest market share in China, Wanda Film has an extensive cinema network and audience data, which enable gaining deep insights into market changes and trends through big data and algorithmic analysis. Wanda Film has a comprehensive understanding of, among others, audience preferences, consumer behavior and cinema distribution, which provides valuable references for the market positioning of films. Meanwhile, the massive viewer data also helps the Company better seize the market trend to understand the changes in market demand and audience preferences, to timely adjust the positioning and promotion strategies of its films to adapt to the market demand.

It is believed that the Company, while producing quality films and television dramas, will also cultivate a number of up-and-coming directors, screenwriters and producers for the Chinese film market on the basis of the development of the Company’s adherence to the producer-centric system in conjunction with Wanda Film’s “Elite+” Filmmaker Plan, the cinema user data and the feedback from the market trend.

On the other hand, Wanda Film’s cinema chain consisting of 905 cinemas is also an excellent offline channel for IP-empowerment. The Mtime of Wanda Film also has extensive experience in the distribution of derivative merchandises. The Company will deepen its cooperation with Wanda Film with its abundant IP resources in stock to achieve mutual benefits. Both parties have cooperated to establish a series of animation film merchandises in respect of “White Snake: Floating Life” (《白蛇：浮生》), the animation film scheduled to be released in 2024 summer vacation. In the future, the Company’s brand influence and IP profitability may be hopefully expanded through IP operation and the development, production and sales of derivative merchandises.

The cooperation between the Company and Wanda Film is not only limited to a single project but also to establish a long-term cooperation relationship and jointly develop strategic planning. Both parties can share risks and benefits, and jointly explore the market to promote healthy development of the entire film industry through our continuous cooperation.

For the details of our investment in Wanda Film, please refer to the section headed “Material Acquisition and Disposal” in this announcement.

ADJUSTED NET PROFIT

To supplement our consolidated financial statements which are presented in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”), we also use adjusted net profit as additional financial measures, which are not required by, or presented in accordance with HKFRS. We believe that these non-HKFRS measures, which have excluded certain items, facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of these non-HKFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

The following tables reconcile our adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS:

	Year ended 31 December	
	2023	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Reconciliation of net profit to adjusted net profit:		
Net profit for the year	682,540	787,552
Add back:		
Share-based compensation expense	82,295	91,280
Imputed interest expenses	78,131	70,919
Fair value change in contingent consideration payable	124,434	(988,615)
Impairment of film and television programmes rights	—	295,838
Adjusted net profit	967,400	256,974

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group maintains a prudent treasury policy. The Group primarily financed its operations through shareholder's equity and cash generated from operations. During the year ended 31 December 2023, the liquidity of the Group was closely monitored by the Board and the Group reviews its working capital and finance requirements on a regular basis.

Liquidity

As at 31 December 2023, the Group maintained cash and bank balance of approximately RMB569.9 million (as at 31 December 2022: approximately RMB1,189.7 million). The decrease in cash and bank balance was mainly due to operation and business needs and investment in Wanda Film. Subsequently after 31 December 2023, the Group has received early repayment of the entire principal of the loans as disclosed in Note 11(b) of the Group's consolidated financial statements as set out in this preliminary announcement, which enhanced the Group's liquidity position.

Borrowings and Gearing Ratio

The Group maintained a sound financial position, and its borrowing demand was not seasonal. As at 31 December 2023, the Group had borrowings of RMB1,755.4 million (as at 31 December 2022: approximately RMB1,769.9 million). Borrowings at fixed rates accounted for 6.2% of total borrowings. Such borrowings will be due within 12 months.

As at 31 December 2023, the Group's net equity amounted to approximately RMB11,037.5 million (as at 31 December 2022: approximately RMB7,971.2 million) with total assets amounting to approximately RMB16,681.2 million (as at 31 December 2022: approximately RMB13,219.0 million). Net current assets were approximately RMB3,272.9 million (as at 31 December 2022: approximately RMB3,159.4 million) and the current ratio was 2.0 times (as at 31 December 2022: 2.5 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing borrowings and lease liabilities) over shareholders' funds was 1.5% (as at 31 December 2022: 2.8%).

Charge of Assets

During the year ended 31 December 2023, the Group did not have any charges on assets.

Commitment

As at 31 December 2023, the Group had no capital commitment (as at 31 December 2022: nil).

Contingent Liabilities

The Company and the Group did not provide corporate guarantee to its subsidiaries or other parties and did not have other significant contingent liabilities as at 31 December 2023 (as at 31 December 2022: nil).

CURRENCY RISK MANAGEMENT

The Group had significant amount of assets and liabilities denominated in Renminbi (“**RMB**”) as at 31 December 2023. The content production and online streaming and online gaming businesses are mainly carried out in RMB in Mainland China. Therefore, the Group is exposed to the risk of significant fluctuation in RMB exchange rates. During the year ended 31 December 2023, the Group closely monitored the fluctuation and does not expect any material fluctuation of exchange rates in the near future, but will continue to monitor it.

SHARE-BASED PAYMENTS

2013 Share Option Scheme

The Company’s former share option scheme (the “**2013 Share Option Scheme**”) adopted pursuant to a resolution passed by the shareholders on 31 October 2013 was terminated by a resolution passed in the annual general meeting of the Company held on 28 June 2023 (the “**2023 AGM**”). The purpose of the 2013 Share Option Scheme was to provide incentives to eligible participants. On 26 November 2021, the Company granted 181,917,000 share options pursuant to the 2013 Share Option Scheme. During the year ended 31 December 2023, the Company has not granted any other new share option under the 2013 Share Option Scheme. For the year ended 31 December 2023, (i) 181,917,000 share options granted under the 2013 Share Option Scheme had not been exercised; and (ii) no share option granted under the 2013 Share Option Scheme had been lapsed or cancelled (for the year ended 31 December 2022: nil).

2023 Share Option Scheme

The Company adopted the current share option scheme (the “**2023 Share Option Scheme**”) pursuant to a resolution passed by the shareholders in the 2023 AGM. The purpose of the 2023 Share Option Scheme is to provide incentives to eligible participants. As at the date of this announcement, no options have yet been granted under the 2023 Share Option Scheme and no other share option scheme has been adopted by the Company.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group employed approximately 410 employees. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Employee benefits include medical insurance coverage and mandatory provident fund, etc. Total staff costs for the year ended 31 December 2023, including directors’ emoluments, amounted to approximately RMB205.9 million (for the year ended 31 December 2022: RMB202.2 million).

MATERIAL ACQUISITION AND DISPOSAL

On 20 July 2023, Shanghai Ruyi (a controlled structured entity of the Company) (as transferee) entered into an equity transfer agreement with Beijing Wanda Cultural Industry Group Co., Ltd. (“**Beijing Culture**”) (as transferor), pursuant to which Shanghai Ruyi shall acquire 49% of the shares in Beijing Wanda Investment Co., Ltd. (“**Beijing Investment**”) held by Beijing Culture at a consideration of RMB2,262 million. On the same day, Shanghai Ruyi entered into a support agreement with Beijing Culture and Beijing Investment, pursuant to which Shanghai Ruyi provided an interest-free loan in the principal amount of RMB800 million to Beijing Culture. For further details of the aforementioned acquisition, please refer to the announcements of the Company dated 23 July 2023 and 28 August 2023.

Save as disclosed above, during the year ended 31 December 2023, there was no other material acquisition and disposal by the Company or any of its subsidiaries.

SIGNIFICANT INVESTMENTS

The Group held the following significant investment at fair value through profit or loss with a value of 5% or more of the Group’s total assets as at 31 December 2023:

Name of investee company	Investment costs (RMB'000)	Fair value as at 31 December 2023 (RMB'000)	Percentage of interests held by the Group (%)	Performance/ Change in fair value for the year ended 31 December 2023 (RMB'000)	Size as compared to the Group's total assets as at 31 December 2023 (%)	Dividend received/ receivable for the year ended 31 December 2023 (RMB'000)	Realised gain for the year ended 31 December 2023 (RMB'000)
Beijing Investment	2,262,000	2,753,373	49%	491,373	16.51%	—	—

Beijing Investment is a company incorporated in the People’s Republic of China with limited liability on 25 December 2006, and is principally engaged in the investment holding. As at the date of this announcement, Beijing Investment holds 20% of the shares of Wanda Film. The Group acquired the interest in Beijing Investment in July 2023. For details, please refer to the section headed “Material Acquisition and Disposal”.

The Group’s investment strategy for the abovementioned significant investment is to continue to act as a passive investor to indirectly hold the shares of Wanda Film through Beijing Investment, which will correspondingly increase the Company’s shareholding in valuable and attractive investment, and expand the Company’s investment portfolio to enhance the Company’s investment returns and ultimately benefit shareholders as a whole with high quality assets.

Save as disclosed above, as at 31 December 2023, the Group did not have any significant investments with a value of 5% or more of the Group’s total assets.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	3	3,627,247	1,319,928
Cost of revenue	4	<u>(2,466,264)</u>	<u>(1,058,313)</u>
Gross profit		1,160,983	261,615
Selling and marketing costs	4	(31,282)	(60,713)
Administrative expenses	4	(284,588)	(251,924)
Net impairment losses on financial assets	2.1(a)	(119,336)	(102,290)
Other income	5	16,960	6,034
Other gains — net	6	<u>239,184</u>	<u>1,031,025</u>
Operating profit		981,921	883,747
Finance costs		(97,926)	(84,931)
Finance income		<u>92,896</u>	<u>52,576</u>
Finance cost — net	7	<u>(5,030)</u>	<u>(32,355)</u>
Share of losses of associates accounted for using the equity method		<u>(974)</u>	<u>(1,551)</u>
Profit before income tax		<u>975,917</u>	<u>849,841</u>
Income tax expenses	8	<u>(293,377)</u>	<u>(62,289)</u>
Profit for the year, net of tax		<u>682,540</u>	<u>787,552</u>
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss:</i>			
Changes at fair value through other comprehensive income		25	(59)
Currency translation difference		(10,786)	(161,435)
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation difference		<u>(9,061)</u>	<u>(863)</u>
Other comprehensive loss for the year, net of tax		<u>(19,822)</u>	<u>(162,357)</u>
Total comprehensive income for the year		<u>662,718</u>	<u>625,195</u>

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Profit attributable to:			
— Equity holders of the Company		689,758	789,525
— Non-controlling interests		<u>(7,218)</u>	<u>(1,973)</u>
		<u>682,540</u>	<u>787,552</u>
Total comprehensive income attributable to:			
— Equity holders of the Company		669,936	627,168
— Non-controlling interests		<u>(7,218)</u>	<u>(1,973)</u>
		<u>662,718</u>	<u>625,195</u>
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	9	<u>6.550</u>	<u>8.430</u>
— Diluted earnings per share	9	<u>5.968</u>	<u>7.629</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2023	31 December 2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		44,145	9,414
Right-of-use assets		89,394	63,281
Goodwill		4,214,619	4,214,619
Film and television programmes rights	10	1,470,456	2,443,848
Other intangible assets		679,849	682,324
Deferred tax assets		10,106	19,922
Investments accounted for using equity method		34,014	34,897
Financial assets at fair value through profit or loss	13	3,403,547	488,738
Financial assets at fair value through other comprehensive income		512	480
Prepayments and other non-financial assets		35,124	57,969
Deposits	11	5,533	2,528
		<u>9,987,299</u>	<u>8,018,020</u>
Current assets			
Film and television programmes rights	10	1,259,849	1,617,136
Inventories		2,900	986
Prepayments and other non-financial assets		278,116	246,059
Other receivables and deposits	11	2,055,172	1,112,395
Trade and bills receivables	12	2,417,087	936,344
Financial assets at fair value through profit or loss	13	110,833	98,309
Cash and cash equivalents		569,902	1,189,720
		<u>6,693,859</u>	<u>5,200,949</u>
Total assets		<u>16,681,158</u>	<u>13,218,969</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	222,761	193,805
Share premium	14	11,664,209	9,379,095
Other reserves		7,662	(54,811)
Accumulated losses		<u>(857,092)</u>	<u>(1,546,850)</u>
		11,037,540	7,971,239
Non-controlling interests		<u>(1,556)</u>	<u>4,192</u>
Total equity		<u>11,035,984</u>	<u>7,975,431</u>

		31 December 2023	31 December 2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		1,646,490	1,719,916
Lease liabilities		36,188	21,703
Deferred tax liabilities		510,886	451,501
Contingent consideration payable	<i>16</i>	—	610,809
Film and television programmes investment funds from investors		30,640	398,027
		<u>2,224,204</u>	<u>3,201,956</u>
Current liabilities			
Contract liabilities		8,820	6,324
Borrowings		108,908	50,000
Trade payables	<i>15</i>	357,418	560,463
Film and television programmes investment funds from investors		708,452	327,008
Other payables and accruals		479,475	314,559
Current income tax liabilities		412,616	198,979
Lease liabilities		22,448	14,487
Contingent consideration payable	<i>16</i>	1,322,833	569,762
		<u>3,420,970</u>	<u>2,041,582</u>
Total liabilities		<u>5,645,174</u>	<u>5,243,538</u>
Total equity and liabilities		<u><u>16,681,158</u></u>	<u><u>13,218,969</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

(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 FINANCIAL RISK MANAGEMENT

2.1 Financial risk factors

(a) Credit risk

The Group is exposed to credit risk in relation to its financial asset at Financial assets at fair value through other comprehensive income (“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.

(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).

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.

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.

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.

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.

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	Deposits and other receivables	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance as at 1 January 2022	13,220	246	13,466
Impairment provision	85,192	17,098	102,290
Exchange difference	<u>(12)</u>	<u>341</u>	<u>329</u>
Balance as at 31 December 2022	<u>98,400</u>	<u>17,685</u>	<u>116,085</u>
Balance as at 1 January 2023	98,400	17,685	116,085
Impairment provision	64,704	54,632	119,336
Exchange difference	<u>(377)</u>	<u>313</u>	<u>(64)</u>
Balance as at 31 December 2023	<u>162,727</u>	<u>72,630</u>	<u>235,357</u>

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	3 to 6 months past due	6 to 12 months past due	Over 1 year past due	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

	Up to 3 months past due <i>RMB'000</i>	3 to 6 months past due <i>RMB'000</i>	6 to 12 months past due <i>RMB'000</i>	Over 1 year past due <i>RMB'000</i>	Total <i>RMB'000</i>
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

On such basis, the loss allowance as at 31 December 2023 and 2022 was determined as follows for other receivables:

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
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
	<u>2,062,595</u>	<u>55,206</u>	<u>15,534</u>	<u>2,133,335</u>
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
	<u>40,800</u>	<u>16,296</u>	<u>15,534</u>	<u>72,630</u>
Expected credit loss rate	1.98%	29.52%	100.00%	3.40%

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>74,643</u>	<u>—</u>	<u>1,694</u>	<u>76,337</u>
	<u>1,130,914</u>	<u>—</u>	<u>1,694</u>	<u>1,132,608</u>
Loss allowance				
Receivables from investments in film and television programmes rights	15,408	—	—	15,408
Amounts due from related parties	19	—	—	19
Others	<u>564</u>	<u>—</u>	<u>1,694</u>	<u>2,258</u>
	<u>15,991</u>	<u>—</u>	<u>1,694</u>	<u>17,685</u>
Expected credit loss rate	1.41%	—	100.00%	1.56%

2.2 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 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2023				
Financial assets				
Financial assets at fair value through profit or loss (“FVPL”) (<i>Note 13</i>)				
— 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
	<u>125,934</u>	<u>3,137,855</u>	<u>250,591</u>	<u>3,514,380</u>
Financial assets at FVOCI				
— Listed fund	512	—	—	512
	<u>126,446</u>	<u>3,137,855</u>	<u>250,591</u>	<u>3,514,892</u>
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2023				
Financial liability				
Contingent consideration payable (<i>Note 16</i>)				
	<u>—</u>	<u>—</u>	<u>1,322,833</u>	<u>1,322,833</u>

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2022				
Financial assets				
Financial assets at FVPL (<i>Note 13</i>)				
— 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
	<u>13,309</u>	<u>437,738</u>	<u>136,000</u>	<u>587,047</u>
Financial assets at FVOCI				
— Listed fund	480	—	—	480
	<u>13,789</u>	<u>437,738</u>	<u>136,000</u>	<u>587,527</u>
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2022				
Financial liability				
Contingent consideration payable (<i>Note 16</i>)				
	<u>—</u>	<u>—</u>	<u>1,180,571</u>	<u>1,180,571</u>

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.

(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 <i>RMB'000</i>	Investments in unlisted funds <i>RMB'000</i>	Investments in an unlisted company <i>RMB'000</i>	Contingent consideration payable <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>(564)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(564)</u>
Balance as at 31 December 2022	<u>—</u>	<u>136,000</u>	<u>—</u>	<u>1,180,571</u>	<u>1,316,571</u>
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	<u>(29,321)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(29,321)</u>
Balance as at 31 December 2023	<u>34,591</u>	<u>166,000</u>	<u>50,000</u>	<u>1,322,833</u>	<u>1,573,424</u>

3 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.

(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 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
	<u>2,227,108</u>	<u>1,377,163</u>	<u>30,976</u>	<u>(8,000)</u>	<u>3,627,247</u>
Segment profit/(loss)	<u>719,211</u>	<u>620,743</u>	<u>(8,502)</u>	<u>—</u>	<u>1,331,452</u>
Unallocated corporate expenses					(102,244)
Unallocated other losses					(216,219)
Unallocated finance cost-net					<u>(37,072)</u>
Profit before income tax					<u>975,917</u>
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	<u>974</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>974</u>

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 <i>RMB'000</i>	Online streaming and online gaming businesses <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue				
Timing of revenue recognition				
At a point	105,641	1,012,166	50,765	1,168,572
Over time	—	151,356	—	151,356
	<u>105,641</u>	<u>1,163,522</u>	<u>50,765</u>	<u>1,319,928</u>
Segment (loss)/profit	<u>(283,115)</u>	<u>377,636</u>	<u>(82,115)</u>	12,406
Unallocated corporate expenses				(97,277)
Unallocated other gains				981,919
Unallocated finance cost-net				<u>(47,207)</u>
Profit before income tax				<u>849,841</u>
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	<u>295,838</u>	<u>—</u>	<u>—</u>	<u>295,838</u>

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.

(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	<u>8,128,589</u>	<u>3,618,029</u>	<u>15,624</u>	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				<u>569,902</u>
Consolidated total assets				<u><u>16,681,158</u></u>
LIABILITIES				
Segment liabilities	<u>(1,132,720)</u>	<u>(588,511)</u>	<u>(20,063)</u>	(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				<u>(510,886)</u>
Consolidated total liabilities				<u><u>(5,645,174)</u></u>

Segment assets and liabilities as at 31 December 2022 are as follows:

	Content production business <i>RMB'000</i>	Online streaming and online gaming businesses <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Consolidated <i>RMB'000</i>
ASSETS				
Segment assets	<u>7,492,680</u>	<u>3,129,413</u>	<u>20,450</u>	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				<u>1,189,720</u>
Consolidated total assets				<u>13,218,969</u>
LIABILITIES				
Segment liabilities	<u>(1,233,483)</u>	<u>(599,329)</u>	<u>(24,179)</u>	(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				<u>(451,501)</u>
Consolidated total liabilities				<u>(5,243,538)</u>

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.

(d) **Disaggregation of revenue from contracts with customers**

Revenue of the Group is analysed as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
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	<u>30,976</u>	<u>50,765</u>
	<u><u>3,627,247</u></u>	<u><u>1,319,928</u></u>

(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 <i>RMB'000</i>	2022 <i>RMB'000</i>
PRC	3,600,163	1,277,010
Europe	14,237	27,640
Hong Kong	9,609	12,116
Others	<u>3,238</u>	<u>3,162</u>
	<u><u>3,627,247</u></u>	<u><u>1,319,928</u></u>

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 <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
PRC	6,572,299	7,508,559
Hong Kong	<u>835</u>	<u>321</u>
	<u><u>6,573,134</u></u>	<u><u>7,508,880</u></u>

(f) **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).

4 EXPENSES BY NATURE

Major expenses included in cost of revenue, selling and marketing costs and administrative expenses are analysed as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Employees benefit expenses (including directors' emoluments)	205,886	202,204
Content revenue-sharing, distribution and promotion costs	277,448	—
Cost of inventories sold	14,352	26,933
Impairment of film and television programmes rights	—	295,838
Amortisation		
— Film and television programmes rights (<i>Note 10</i>)	1,980,649	538,218
— Other intangible assets	2,475	2,497
Depreciation		
— Property, plant and equipment	2,903	4,159
— Right-of-use assets	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	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
	<u>2,782,134</u>	<u>1,370,950</u>

5 OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Government grants	13,590	5,997
Tax credit of input tax additional deduction	3,332	—
Dividend income from financial assets at FVOCI	38	37
	<u>16,960</u>	<u>6,034</u>

6 OTHER GAINS — NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Fair value change in contingent consideration payable (<i>Note 16</i>)	(124,434)	988,615
Net fair value change in financial assets at FVPL (<i>Note 13</i>)	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
	<u>239,184</u>	<u>1,031,025</u>
Total other gains — net	<u>239,184</u>	<u>1,031,025</u>

7 FINANCE COST — NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
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)
	<u>(97,926)</u>	<u>(84,931)</u>
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
	<u>92,896</u>	<u>52,576</u>
Finance cost — net	<u>(5,030)</u>	<u>(32,355)</u>

8 INCOME TAX EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax		
— Provision for the year	224,176	131,091
Deferred income tax	<u>69,201</u>	<u>(68,802)</u>
Income tax expenses	<u><u>293,377</u></u>	<u><u>62,289</u></u>

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 <i>RMB'000</i>	2022 <i>RMB'000</i>
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	<u>(14,949)</u>	<u>(397)</u>
	<u><u>293,377</u></u>	<u><u>62,289</u></u>

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.

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.

9 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)	<u>689,758</u>	<u>789,525</u>
Weighted average number of ordinary shares in issue (thousands)	<u>10,531,428</u>	<u>9,365,893</u>
Basic earnings per share (RMB cents per share) for the year	<u><u>6.550</u></u>	<u><u>8.430</u></u>

(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 16); 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 14).

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 14) 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.

	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)	<u>88,570</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u><u>11,557,474</u></u>	<u><u>10,349,408</u></u>
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	<u><u>5.968</u></u>	<u><u>7.629</u></u>

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.

10 FILM AND TELEVISION PROGRAMMES RIGHTS

	31 December 2023	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
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)
	<u>1,470,456</u>	<u>2,443,848</u>

Movement in the Group's film and television programme rights were as follows:

	Film and television programmes rights completed	Film and television programmes rights under production	Licensed film and television programmes rights	Film rights investments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 (<i>Note 4</i>)	(64,717)	—	(473,501)	—	(538,218)
Transfer	926,295	(926,295)	—	—	—
Impairment	(295,838)	—	—	—	(295,838)
Derecognition	—	—	—	(564)	(564)
As at 31 December 2022	<u>1,376,159</u>	<u>1,918,815</u>	<u>766,010</u>	<u>—</u>	<u>4,060,984</u>
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 (<i>Note 4</i>)	(1,520,408)	—	(460,241)	—	(1,980,649)
Transfer	407,656	(407,656)	—	—	—
As at 31 December 2023	<u>503,432</u>	<u>1,787,553</u>	<u>439,320</u>	<u>—</u>	<u>2,730,305</u>

11 OTHER RECEIVABLES AND DEPOSITS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Amounts due from related parties	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 2.1(a))	(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.

12 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	842,364	—
	2,490,814	1,034,744
Less: allowance for impairment of trade receivables (<i>Note 2.1(a)</i>)	(162,727)	(98,400)
	2,328,087	936,344
Bills receivables	89,000	—
	2,417,087	936,344

(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

13 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	<u>78,625</u>	<u>—</u>
	<u>3,403,547</u>	<u>488,738</u>
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	<u>28,933</u>	<u>—</u>
	<u>110,833</u>	<u>98,309</u>
	<u>3,514,380</u>	<u>587,047</u>

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 6)	432,009	(24,555)
Currency translation differences	<u>5,835</u>	<u>(138)</u>
At the end of the year	<u>3,514,380</u>	<u>587,047</u>

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 satisfied or waived and only RMB12,000,000 out of the total consideration remained payable as at 31 December 2023.

14 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>
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)	<u>1,581,250,000</u>	<u>28,956</u>	<u>2,285,114</u>
As at 31 December 2023	<u><u>11,585,897,545</u></u>	<u><u>222,761</u></u>	<u><u>11,664,209</u></u>

- (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 RMB 28,956,000 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 March 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).

15 TRADE PAYABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade payables to:		
— Third parties	356,997	550,120
— Related parties	<u>421</u>	<u>10,343</u>
	<u>357,418</u>	<u>560,463</u>

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\$	<u>—</u>	<u>81</u>
	<u>357,418</u>	<u>560,463</u>

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	<u>1,298</u>	<u>60,948</u>
	<u>357,418</u>	<u>560,463</u>

The carrying amounts of trade payables approximate their fair values as at 31 December 2023 and 2022.

16 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 actual number of warrants to be issued is subject to the net profit of Virtual Cinema in a specified time frame following the Acquisition.

Based on the final purchase price allocation, the following table summarises the fair value movement of the consideration paid for Virtual Cinema:

	<i>RMB'000</i>	
As at 1 January 2022	2,060,578	
Fair value change of the contingent consideration payable (<i>Note 2.2(a)</i>)	(988,615)	
Currency translation differences	<u>108,608</u>	
As at 31 December 2022	<u><u>1,180,571</u></u>	
As at 1 January 2023	1,180,571	
Fair value change of the contingent consideration payable (<i>Note 2.2(a)</i>)	124,434	
Currency translation differences	<u>17,828</u>	
As at 31 December 2023	<u><u>1,322,833</u></u>	
	At 31 December 2023	At 31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
Represented by		
Current portion	1,322,833	569,762
Non-current portion	<u>—</u>	<u>610,809</u>
	<u><u>1,322,833</u></u>	<u><u>1,180,571</u></u>

OTHER INFORMATION

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: nil).

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

Issue of Shares under General Mandate and Specific Mandate (“Share Subscriptions”)

On 4 July 2023, the Company entered into a share subscription agreement separately with each of Century Spirit Investments Limited (“**Century Spirit**”), Cubract Ventures Limited (“**Cubract Ventures**”), Fame Mountain Limited (“**Fame Mountain**”) and Million Succeed Development Limited (“**Million Succeed**”) (collectively, the “**Independent Subscriber Share Subscription Agreements**”), pursuant to which the Company agreed to allot and issue, and each of Century Spirit, Cubract Ventures, Fame Mountain and Million Succeed agreed to subscribe 500,000,000 subscription shares (in aggregate 2,000,000,000 subscription shares) at HK\$1.60 per subscription share, on the respective terms thereunder.

On 4 July 2023, the Company entered into a share subscription agreement (the “**Water Lily Share Subscription Agreement**”) with Water Lily Investment Limited (“**Water Lily**”), pursuant to which the Company agreed to allot and issue, and Water Lily agreed to subscribe 500,000,000 subscription shares at HK\$1.60 per subscription share, on the terms of Water Lily Share Subscription Agreement thereunder.

In respect of the Share Subscription by Water Lily, the relevant subscription shares have been allotted and issued on 10 October 2023 under the specific mandate sought from the independent shareholders at the special general meeting of the Company convened on 15 September 2023.

In respect of the Share Subscriptions by Century Spirit, Cubract Ventures, Fame Mountain and Million Succeed (collectively, the “**Independent Subscribers**”), the subscription shares will be issued under the general mandate.

As at the date of the announcement, an aggregate of 1,581,250,000 subscription shares have been allotted and issued.

On 5 September 2023, 29 November 2023, 20 December 2023 and 28 January 2024, the Company entered into supplemental agreements separately with each of the Independent Subscribers pursuant to which the Company and each of the Independent Subscribers agreed to extend the longstop date and last issue date, being the date when each of the Independent Subscribers shall complete the subscription of all the relevant Subscription Shares in one or multiple tranches (the “**Last Issue Date**”) to 31 March 2024 (or such later date as the Company and the relevant Independent Subscribers may agree). The aforesaid extensions were due to additional time required by the Independent Subscribers to arrange the remittance of funds to Hong Kong.

For further details of the Share Subscriptions, please refer to the announcements of the Company dated 4 July 2023, 7 September 2023, 29 November 2023, 28 January 2024 and 31 January 2024 and the circular of the Company dated 30 August 2023.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year ended 31 December 2023.

EVENT AFTER THE END OF THE REPORTING PERIOD

The Group has no event after the end of the Reporting Period that needs to be brought to the attention of the shareholders of the Company.

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 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (which has been renumbered to Part 2 of Appendix C1 with effect from 31 December 2023) during the year ended 31 December 2023 except for the following deviation from the Code:

- Code provision C.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2023, the Company has no such title as chief executive officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution is vested in the Board itself. The Board believes that the current structure is conducive to strong and consistent leadership and oversight enabling the Group to operate efficiently.
- Code provision F.2.2 stipulated that the chairman of the board should attend the annual general meeting. During the year ended 31 December 2023, Mr. Ke Liming, the chairman of the Board, was unable to attend the 2023 AGM due to his other work commitments. Mr. Chau Shing Yim, David (an independent non-executive Director, the chairman of the Audit Committee and the chairman of the Remuneration Committee) attended the 2023 AGM and served as the chairman of the meeting. The Board believes that Mr. Chau Shing Yim, David had sufficient ability and knowledge to answer questions at the 2023 AGM. Therefore, the good communication established between the Company and the shareholders is not affected.

COMPLIANCE WITH THE MODEL CODE

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules (which has been renumbered to Appendix C3 with effect from 31 December 2023) as the code of conduct regarding securities transactions by the Directors. The Company, having made specific and cautious enquiries, confirmed that all Directors had complied with the Model Code for the year ended 31 December 2023.

REVIEW OF RESULTS

The Audit Committee of the Company consists of three of the independent non-executive Directors, namely Mr. Chau Shing Yim, David, Mr. Nie Zhixin and Mr. Chen Haiquan. The Audit Committee assists the Board in, among others, providing an independent review of the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group’s operations and internal controls. The Audit Committee has reviewed the results of the Group for the year ended 31 December 2023.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the consolidated financial statements of the Group and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement of the results of the Group have been agreed by the auditor of the Company, PricewaterhouseCoopers, to the amounts set out in the Group’s consolidated financial statements for the year ended 31 December 2023. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance will be expressed on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

The annual results announcement for the year ended 31 December 2023 is also published on the Stock Exchange’s website (<https://www.hkexnews.hk>) and the Company’s website (<https://www.ryholdings.com>). The annual report containing all information required by the Listing Rules will be dispatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

2024 ANNUAL GENERAL MEETING

As at the date of this announcement, the Company has not determined the date when the Company’s 2024 annual general meeting will be held and the relevant book closure arrangement. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this announcement or any of the matters set out therein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

APPRECIATION

The Board would like to express its sincere gratitude to the Company's shareholders, investors, employees and business partners for their continuous support.

By order of the Board
China Ruyi Holdings Limited
Ke Liming
Chairman

Hong Kong, 28 March 2024

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.