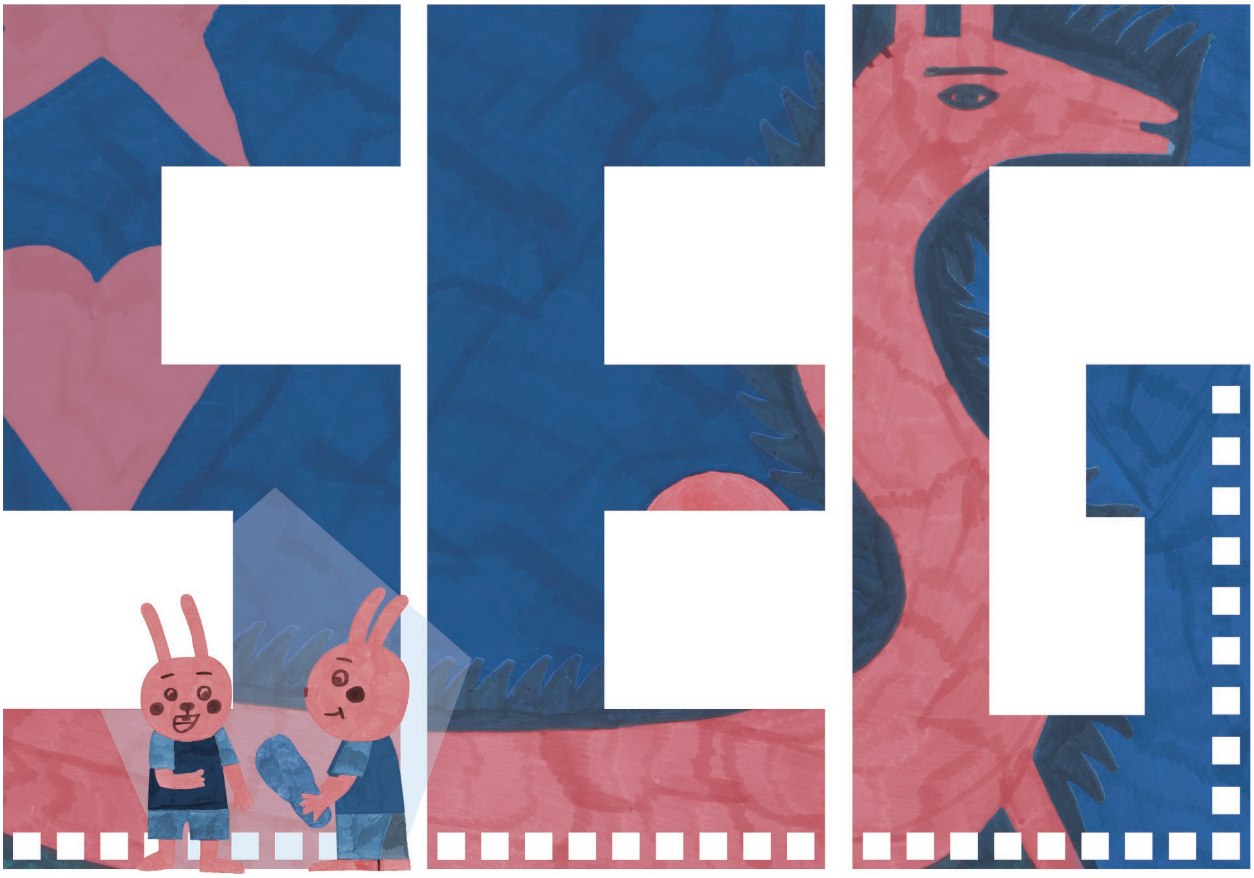

# 年度報告

# ANNUAL REPORT 2023

稻草熊娱乐集团
STRAWBEAR ENTERTAINMENT GROUP

股份代號 STOCK CODE 2125

於開曼群島註冊成立之有限公司
INCORPORATED
IN THE CAYMAN ISLANDS
WITH LIMITED LIABILITY

# CONTENTS



ENJOYABLE AND INNOVATIVE
令人愉悦且耳目一新
HIGH-QUALITY CONTENTS
高质量的精品化内容
CREATIVE AND DIVERSITY
创新性和多元化

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Liu Xiaofeng *(Chairman)*
Ms. Zhang Qiuchen *(resigned on May 4, 2023)*
Mr. Chen Chen
Ms. Zhai Fang

### Non-executive Directors

Mr. Wang Xiaohui
Ms. Liu Fan

### Independent Non-executive Directors

Mr. Ma Zhongjun
Mr. Zhang Senquan
Mr. Chung Chong Sun

## AUDIT COMMITTEE

Mr. Zhang Senquan *(Chairman)*
Ms. Liu Fan
Mr. Chung Chong Sun

## REMUNERATION COMMITTEE

Mr. Ma Zhongjun *(Chairman)*
Mr. Liu Xiaofeng
Mr. Chung Chong Sun

## NOMINATION COMMITTEE

Mr. Ma Zhongjun *(Chairman)*
Mr. Liu Xiaofeng
Mr. Chung Chong Sun

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Liu Xiaofeng *(Chairman)*
Ms. Zhai Fang
Mr. Zhang Senquan

## JOINT COMPANY SECRETARIES

Ms. Zhai Fang
Ms. Zhang Xiao

## AUTHORISED REPRESENTATIVES

Ms. Zhai Fang
Ms. Zhang Xiao

## REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

## HEADQUARTERS IN THE PRC

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Jiangdong Zhong Road
Jianye District
Nanjing, Jiangsu
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10204
Grand Cayman, KY1-1002
Cayman Islands

## HONG KONG SHARE REGISTRAR

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17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

## PRINCIPAL BANKERS

Bank of Nanjing Co., Ltd.
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No. 99-1 Zhongshanmen Avenue
Xuanwu District
Nanjing, Jiangsu
PRC

East West Bank (China) Ltd.
33/F, Jin Mao Tower
No. 88 Century Boulevard
Pudong New Area, Shanghai
PRC

## AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
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Quarry Bay
Hong Kong

## HONG KONG LEGAL ADVISOR

Tian Yuan Law Firm LLP
Suites 3304-3309, 33/F
Jardine House
One Connaught Place
Central, Hong Kong

## STOCK CODE

2125

## COMPANY'S WEBSITE

www.strawbearentertainment.com

# CHAIRMAN'S STATEMENT

I am pleased to present our shareholders with the annual report of the Group for the year ended December 31, 2023.

In 2023, the Group has had a challenging but productive year. In spite of short-term pressure on performance, we managed to forge ahead towards deepening business operation model, enhancing core competitiveness and marching for sustainable and stable development. Affected by the global economic situation, adjustments in audiences' consumption pattern and technological innovation, the film and television market is altering from day to day. The Group kept adjusting its business development strategies and expansion pace in a timely manner, unceasingly groped for and made breakthroughs in an environment where opportunities and risks co-existed.

## BUSINESS HIGHLIGHTS

### 1) Continued to further the application of platform operation model, ensuring the stable provision of high-quality drama series

With the overall recovery in the film and television industry, the gradual stabilization of the market rules and the increasing clarity of corporate development plan, the Group always adhered to its development strategy of persevering in producing quality content as a long-termist, and has insisted on delivering premium quality content to the market. Under the assistance of a deepening platform operation model and with the concerted efforts from its stable internal team, external partners and business development model, the Group has actively responded to the higher demands regarding quality of drama series from broadcast platforms and audiences by striving to build a content brand that centers on quality drama series.

During the past year, the Group's platform operation model had been continuously deepened in practice, and the service capabilities of the "comprehensive middle platform" have been significantly enhanced. Benefiting from the stabilizing platform operation model, the Group's capacity in business services had been constantly enhanced, which allowed it to provide comprehensive and refined business services to talented participants in each production session, enabling the Group to maintain close relationships of mutual dependence and success with industry participants including talented screenwriters, producers, directors and actors and actresses. Accordingly, the Group has maintained a virtuous cycle of its content capacities and drama series quality which ensures stable provision of premium content to audiences.

In 2023, driven by its platform operation model, the Group had effectively implemented its development strategy of persevering in producing quality content as a long-termist, controlled the number of drama series produced, continuously improved the quality of drama series, and had been awarded the "Top 10 Film and Television Companies in a Decade (十年十佳劇集公司)" of the Golden Pufferfish Awards (金河豚獎). During the year, the Group has broadcast a number of drama series in difference genres, most of which had achieved good broadcasting results. For example, *Never Give Up* (《今日宜加油》) was awarded the second prize of the "Jiangsu Premium TV Drama Awards 2022-2023 (2022-2023年度江蘇省優秀電視劇二等獎)" at the 2023 Jiangsu "Gold Jasmine" New Film and Television Conference (2023江蘇「金茉莉」新影視大會) held in Nanjing in November 2023; *Hello Beautiful Life* (《心想事成》), a key project supported by the Beijing Municipal Radio and Television Bureau, was selected into the 2023 "Big Drama Watching CMG (大劇看總台)" TV series list released by China Media Group and was awarded the "Outstanding Emotion TV Drama Award (優秀情感題材電視劇獎)" at the Audience Festival of Wuhan Broadcast and Television Station (武漢廣播電視台觀眾節) held in December 2023; *The White Castle* (《白色城堡》) ranked top 1 in the Cat's Eye Professional Edition's "TV All Network Rating Chart" (貓眼專業版「衛視全網收視榜」) 19 times during its broadcast period; and *You are Desire* (《白日夢我》) was exclusively broadcast on Mango TV on August 12, 2023, and was subsequently broadcast on Hunan Satellite TV's Golden Eagle Title-sponsored Channel (湖南衛視金鷹獨播劇場) on August 30, 2023 due to its impressive broadcasting results, once again realizing the innovative broadcasting model of "Online first, TV next (先網後台)". This drama series is also a milestone for the Group after it joined Mango TV's 2023 "New Mango S Plan (新芒S計劃)" as a strategic partner.

## BUSINESS HIGHLIGHTS (CONT'D)

### 1) Continued to further the application of platform operation model, ensuring the stable provision of high-quality drama series (cont'd)

As of the end of 2023, the Group had a number of drama series to be broadcast that are highly expected by the market, including *Cat & Thief* (《鬥賊》), a crime comedy directed by Gong Zhaohui (龔朝輝), scripted by Li Song (李松) and Lou Kexin (婁可心), and starred by Huang Jingyu (黃景瑜) and Xiu Rui (修睿); *Lost Identity* (《孤戰迷城》)[1], a modern spy war drama series directed by Xie Ze (謝澤), scripted by Dai Jin (戴津), and starred by Huang Jingyu (黃景瑜) and Xin Zhilei (辛芷蕾); *The Swimsuit Saga* (《乘風踏浪》)[2], a contemporary entrepreneurial comedy directed by Zhang Silin (張思麟), scripted by Xu Zhengchao (徐正超), and starred by Qiao Shan (喬杉) and Yang Zishan (楊子姍); *Breaking the Shadows* (《烏雲之上》), a realistic and mystery detective drama series directed by Hua Qing (花箐), scripted by Wang Bu (王不) and Yi Ying (一瑩), and starred by Sun Li (孫儷) and Luo Jin (羅晉); *The Trident 2* (《三叉戟2》), a police detective drama series directed by Liu Haibo (劉海波) and Cao Kai (曹凱), scripted by Shen Rong (沈嶸), Lv Zheng (呂錚) and Xiong Yuzhen (熊語真), and starred by Chen Jianbin (陳建斌), Dong Yong (董勇) and Hao Ping (郝平); and *In the Name of the Brother* (《哈爾濱一九四四》)[3], an original spy war-themed mystery period drama series directed by Zhang Li (張黎), scripted by Wang Xaioqiang (王小槍), Liu Tianzhuang (劉天壯), and Liu Jinfei (劉勁飛), and starred by Qin Hao (秦昊) and Yang Mi (楊冪). Among which, *In the Name of the Brother* (《哈爾濱一九四四》) was already sought-after even before broadcast and was honored with the "Most Expected Drama Series of 2024 (2024年度期待劇集)" of the Golden Pufferfish Awards (金河豚獎) by virtue of its delicate production and outstanding cast. Meanwhile, as of December 31, 2023, the Group has reserved a wide array of quality drama series with various themes and genres under preparation.

### 2) Continued to improve the closed-loop ecosystem for the entire industry chain, contributing to the stable development of the Group

In 2023, while consolidating its primary business and producing high-quality content, the Group closely monitored the market environment and industry trends, continuously explored and expanded high-quality business partners in the upstream and downstream of the industry chain, further improved the resource layout of the entire industry chain, continued to build an ecosystem for content development, and promoted stable growth in the future.

With the optimized platform operation model, the Group has established a closer relationship with outstanding talents in the upstream industry such as top screenwriters, directors and producers who have cooperated with the Group. Meanwhile, the Group also continued to explore and expand its partnership with outstanding talents in the industry, enhanced the adhesion between the Group and outstanding artists who played important roles in the production of the Group's drama series through various means, such as business/equity partnerships and equity incentives, which were integrated into the Group's content ecosystem to empower the production of quality content.

In addition, with the recovery of offline economy and a wider range of lifestyle and entertainment options available in China, consumers are showing more interest in offline experience. Therefore, the Group paid continuous attention to the development of business approaches for monetizing quality IPs, persisted in the promotion of pan-culture and entertainment industry layout that took quality IPs as the core, actively investigated and explored the subsequent business value based on quality IP transformation, with a view to transforming the Group's "online views" into "offline consumption" and making contribution to the Group's stable development in the future.

With increasingly refined business management service capability, a steadily increasing number and enhanced adhesion with quality industry partners, and increasingly diversified pathways for monetizing the entire industry chain, the Group believes that its closed-loop ecosystem for the industry chain will be gradually extended and fully packed in practice.

1 The name of the drama series *The Lost* (《孤戰》) had been changed to *Lost Identity* (《孤戰迷城》). The name of the drama series is subject to final approval of the NRTA.

2 The translation name of the drama series *Legend of Bikini* (《乘風踏浪》) had been changed to *The Swimsuit Saga* (《乘風踏浪》).

3 The translation name of the drama series *Early Spring* (《哈爾濱一九四四》) had been changed to *In the Name of the Brother* (《哈爾濱一九四四》).

## BUSINESS HIGHLIGHTS (CONT'D)

### 3) Focused on IP layout, providing an inexhaustible source for the production of high-quality drama series

In 2023, the Group attached great importance to the stockpiling of IPs as always, further deepened the strategic layout of IPs, effectively utilized internal and external resources, and accelerated the expansion of high-quality IPs. At the same time, the Group placed equal importance on premium original IPs and IP development, and continued to enhance its internal advantage in screenplay development and project innovation. Through ongoing accumulation, the Group has established an original and IP matrix system with continuously optimized product structure and increasingly abundant IP reserves, securing a content backlog for the Group's future production of film and television works and subsequent exploration of derivative value.

As of December 31, 2023, the Group had rights and interests in over 40 screenplays and novels for film and television adoption and other forms of use with themes covering teen drama, urban workplaces, crime, modern revolution, costume/urban love, and spy war, etc.

Furthermore, the Group also continued to strengthen its control over the quality of IP-converted content while maintaining a stable number of IP reserves. During the year, the Group has comprehensively sorted out its inventories of IP reserve projects, reserved a batch of drama series projects with high film and television conversion rate after conducting a comprehensive evaluation on the potential profitability, brand influence and social benefits of the projects, and given priority to investing its funds and manpower in such projects, which not only increased the efficiency of the Group's fund and resource allocation, but also promoted the output of premium quality drama series.

The Group believes that quality IP creation, development and reserves form a solid foundation for creating quality drama series. The Group will focus on IP layout as usual and build an IP ecological matrix to provide an inexhaustible source for the production of quality drama series.

## FINANCIAL HIGHLIGHTS

Revenue for the year ended December 31, 2023 amounted to approximately RMB840.7 million, representing a decrease of 14.3% from approximately RMB980.9 million for the year ended December 31, 2022. Gross profit for the year ended December 31, 2023 amounted to approximately RMB63.3 million, representing a decrease of 71.2% from approximately RMB219.8 million for the year ended December 31, 2022. Loss for the year ended December 31, 2023 amounted to approximately RMB107.5 million, as compared to a profit of approximately RMB50.0 million for the year ended December 31, 2022. Adjusted net loss (Non-HKFRS measure)[1] for the year ended December 31, 2023 amounted to approximately RMB88.1 million, as compared to an adjusted net profit of approximately RMB73.6 million for the year ended December 31, 2022. Net assets as of December 31, 2023 amounted to approximately RMB1,739.3 million, representing a decrease of 4.7% from approximately RMB1,825.6 million as of December 31, 2022.

## OUTLOOK

Looking ahead, creating quality drama series will remain to be the core of the Group's business. The Group will closely focus on the core of "creating quality content", actively embrace the changes in the industry brought by new technologies, expand and establish diversified pathways for monetization, build and optimize the Group's value ecosystem, in a bid to create a quality content brand for Strawbear Entertainment.

1 The Group defines adjusted net (loss)/profit as (loss)/profit for the year adjusted by adding back equity-settled share award expense incurred during the respective year.

## OUTLOOK (CONT'D)

### 1) Continue to improve the drama series quality and achieve content re-upgrading

As a film and television production company, the Group always believes that quality content creation is the foundation of the Group's business, and that the continuous creation and production of high-quality top-tier drama series is the driving force to sustain the stable development of the Group.

In terms of operation, the Group will continue to further the application of platform operation model, enhance the management capacity of the internal "comprehensive middle platform", and expand the depth and range of resource integration under the platform operation model. We will also increase the introduction of and adhesion with quality content teams in the industry to continuously enhance the refined production management capacities, so as to provide solid logistics support for the production of quality drama series, and to ensure and promote the creation of the Group's premium content.

In terms of content creation, the Group will strengthen its research on the original advantageous segments and broaden the channels for creation and acquisition of IPs, and enhance all stages of work such as IP procurement, project initiation and production in a more refined manner, in order to accumulate sufficient project reserves for the Group's sustainable development in the future. The Group will carry out the reserve works for quality IPs in a solid and effective manner, and continue to layout in multiple segments to create top-tier works featuring both social and economic values.

### 2) Explore on and attempt for new technologies to promote industrial innovation

During 2023, the world embarked on an AI era, and the application on AI technologies brought great impacts and challenges to all industries. The Group fully understands the impact that AI technologies may have on the film and television industry and must speed up the learning and application of the same. The Group will proactively embrace the changes in the industry brought about by new technologies in the future, learn and implement the application of AI technologies in the Group's daily operations, project development and drama series filming by focusing on improving production efficiency with technologies.

The Group believes that AI technologies can increase production efficiency and empower product innovation, and if used properly, they can not only help reduce costs and enhance efficiency in the industry, but also facilitate the amplification in IP value. Through continuous learning, practice and improvement, the Group is in hope of promoting industrial innovation by the application of new technologies, identifying new value growth driver from the integration of technology and content, and opening up incremental market space in the industry.

### 3) Seek diversified monetization pathways to optimize the revenue streams

As of December 31, 2023, the Group's revenue was mainly generated from the licensing fees obtained from licensing of broadcasting rights of drama series to TV channels, online video platforms and third-party distributors, as well as the production fees received from production of made-to-order drama series per online video platforms' orders. Having developed in-depth in the industry for years, the Group has maintained a relatively leading position in the film and television industry, and will continue to deliver excellent contents.

In recent years, the Group has been actively expanding other ecological contents on top of the film and drama series business. The Group believes that the monetization pathways of a film and television production company will not be limited to the screens. In the future, the Group will continue to seek monetization pathways that are relevant to the Group's business and/or may create synergy effect, and will create and operate IPs with sophistication to gradually build a pan-entertainment ecosystem focusing on quality IPs, facilitating the formation of a more diversified and sustainable business and revenue systems in the Group.

## ACKNOWLEDGEMENT

Last but not least, on behalf of the Board, I would like to express our heartfelt thanks to the management team and all of our staff for their unremitting efforts and valuable contributions to the Group. The Board would also like to express its sincere gratitude to all of our shareholders, partners and stakeholders for their trust and support to the Group.

Yours faithfully,

**Liu Xiaofeng**
*Chairman of the Board*

Nanjing, PRC
April 25, 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS

The Group is a major drama series producer and distributor in the PRC, principally engaged in the investment, development, production and distribution of TV series and web series. Due to complicated global environment and "slow economic recovery with high fluctuation", the film and television industry continued to grapple with unpredictable challenges in 2023. In any case, in the middle of difficulties lies opportunity, and where there is opportunity, there is hope. Backed by the Company's management who unite all staff members, the Group will hold on to the proper leadership of the Board, proactively adapt to the ever-changing market landscape of the industry whilst pushing through the campaign of "Focus on Film and Television Makers", in a bid to advance the progress that puts its green operation philosophy into practice.

During the Reporting Period, with the efficient and orderly exercise of the Group's platform operation model alongside the continuously enhanced management capacity of the internal "comprehensive middle platform", the Group has not only gathered premium industrial resources but also carried out in-depth exploration of such resources. Leveraging on further refined business management service capabilities, the Group has made possible rapid allocation of the industrial quality resources. Talented screenwriters, producers, directors and actors and actresses, filming and production studios, as well as external quality control specialists have been integrated into a comprehensive ecosystem where all-inclusive business services are provided to outstanding players at each production stage. Meanwhile, the Group adhered to its development strategy of persevering in producing quality content as a long-termist. It strengthened the principal business by selecting the best to increase the quality of drama series and by flexibly controlling the number of drama series produced, so as to adapt to the fluid market and the ever-growing appetite for high-quality content. During the Reporting Period, the Group has broadcast a number of high-quality drama series which achieved positive broadcasting results and received favorable market comments. As of December 31, 2023, the Group also had a pipeline of drama series with wide range of themes and genres to be broadcast and under preparation.

In addition, the Group has been keen on exploring industrial innovation and widering options for monetization in 2023. During the Reporting Period, the Group has kept a close eye on technologies including algorithms application and AIGC, actively explored and dabbled in the application of AI in the film and television industry. LED walls, for instance, were used for virtual production in certain sets of the drama series broadcast in 2023, which not only provides more realistic scenes and atmosphere for actors and actresses to act, but also brings a more immersive viewing experience to the audiences. At the same time, the Group has made steady progress in exploring other suitable means of monetization, such as research into offline culture and tourism projects based on quality IPs, which paved the way for commercialization of spin-off content, in the hope of promoting diversification of revenue streams and, in turn, ongoing and healthy development in the future.

During 2023, while the Group was pushing ahead with its own business, it has never left behind the fulfillment of corporate responsibilities. It strived for the organic compatibility between social and economic efficiency and promoted a more sustainable growth of the Group, making contribution to achieving the goal of "carbon peak and carbon neutrality (雙碳)" in ESG. In recognition of its outstanding performance in ESG management system, green industrial production, and social welfare activities, the Group was rewarded with "2023 ESG Pioneer Enterprise Award (2023年度ESG先鋒企業獎)" in the 13th Philanthropy Festival and 2023 ESG Summit convened in Beijing on January 24, 2024. The Group was awarded with "Inclusion China" Influential Enterprise of the Year (「融合中國」年度影響力機構) in the 2024 All-Media Information Industry Innovation Conference and "Inclusion China" Promotion Ceremony for Outstanding Radio, Film and Television Projects held in Ningbo on April 14, 2024.

The Group will continue to deepen the application of platform operation model, insist on long-termism as its general principle, dedicate to the improvement of content quality steadily at its centre, put its green operation philosophy into practice, and bring to life premium works that resonates down the times.

## BUSINESS REVIEW AND PROSPECTS (CONT'D)

### The Group's Drama Series to be Broadcast and the Group's Pipeline Drama Series Projects

As of December 31, 2023, the Group has produced and/or distributed but yet to broadcast seven TV series and three web series. The table below sets forth certain details of such drama series:

| Name of the Drama Series | Genre | Director(s) and Major Cast Members | Role | Production Type | Status as of December 31, 2023 | Expected Broadcasting Time |
|---|---|---|---|---|---|---|
| **TV Series** | | | | | | |
| *The Swimsuit Saga* (《乘風踏浪》) | Metropolitan | Zhang Silin (張思麟), Qiao Shan (喬杉), Yang Zishan (楊子姍) | Production and distribution | Original | To be broadcast | 2024 |
| *Lost Identity* (《孤戰迷城》) | Modern Spy War | Xie Ze (謝澤), Huang Jingyu (黃景瑜), Xin Zhilei (辛芷蕾) | Production and distribution | Original | To be broadcast | 2024 |
| *Breaking the Shadows* (《烏雲之上》) | Crime | Hua Qing (花箐), Sun Li (孫儷), Luo Jin (羅晉) | Production and distribution | Original | Post-production | 2024 |
| *In the Name of the Brother* (《哈爾濱一九四四》) | Classic Spy War | Zhang Li (張黎), Qin Hao (秦昊), Yang Mi (楊冪) | Production and distribution | Original | Post-production | 2024 |
| *Cat & Thief* (《鬥賊》) | Crime | Gong Zhaohui (龔朝輝), Huang Jingyu (黃景瑜), Xiu Rui (修睿) | Production and distribution | Adaptation | Completed and Under examination | 2024 |
| *The Trident 2* (《三叉戟2》) | Crime | Liu Haibo (劉海波), Cao Kai (曹凱), Chen Jianbin (陳建斌), Dong Yong (董勇), Hao Ping (郝平) | Production and distribution | Original | Completed and Under examination | 2024 |
| *Light My Way* (《偷走他的心》) | Teen drama with hot-blooded rescue | Wu Qiang (吳強), Ma Sichao (馬思超), Wan Peng (萬鵬) | Production and distribution | Adaptation | Completed and Under examination | 2024 |
| **Web Series** | | | | | | |
| *No One but You* (《也許這就是愛情》) | Metropolitan | Wu Qiang (吳強), Chen Yuqi (陳鈺琪), Fang Yilun (方逸倫) | Production and distribution | Adaptation | To be broadcast | 2024 |
| *Reborn for Love* (《四海重明》) | Period Other | Wen Deguang (溫德光), Jing Tian (景甜), Zhang Linghe (張凌赫) | Production and distribution | Adaptation | Post-production | 2024 |
| *Win or Die* (《夜不收》) | Period Military | Cao Dun (曹盾), Jing Boran (井柏然), Wu Xingjian (吳幸鍵), Zhang Yifan (張藝凡) | Production and distribution | Original | Wrap | 2024 |

## BUSINESS REVIEW AND PROSPECTS (CONT'D)

### The Group's Drama Series to be Broadcast and the Group's Pipeline Drama Series Projects (cont'd)

As of December 31, 2023, the Group had several TV series/web series that had applied for public record/filed with the local counterparts of the NRTA. The table below sets forth certain details of such pipeline drama series projects:

| Proposed Name of the Drama series | Genre | Copyright Ownership | Status as of December 31, 2023 | Time of Public Record/Filing |
|---|---|---|---|---|
| **TV Series** | | | | |
| *Ordinary Life, Ordinary Love* (《勸你趁早喜歡我》) | Metropolitan | The Group | Pre-production | 2022 |
| *The Wind Catcher* (《捕風者》) | Modern Revolution | The Group | Pre-production | 2023 |
| **Web Series** | | | | |
| *All Hands on Deck* (《開工日記》)[1] | Metropolitan | The Group | Pre-production | 2023 |
| *Move Heaven and Earth* (《赴山海》) | Period Wuxia, romance | Jointly owned with its co-investor | Pre-production | 2023 |
| *What a Wonderful World* (《在人間》) | Metropolitan | The Group | Pre-production | 2023 |

### Business Analysis by Business Line

*(i) Licensing of broadcasting rights of the drama series to TV channels, online video platforms and third-party distributors*

In 2023, the Group broadcast multiple drama series of various genres, including, among others, *Never Give Up* (《今日宜加油》), *Hello Beautiful Life* (《心想事成》), *The Girl Who Sees Smells* (《你好，我的對面男友》), *The White Castle* (《白色城堡》), *You are Desire* (《白日夢我》) and *Never Too Late* (《我的助理不簡單》). The revenue generated from the Group's licensing of the broadcasting rights of drama series amounted to approximately RMB749.2 million for the year ended December 31, 2023 as compared to approximately RMB481.0 million for the year ended December 31, 2022. The increase in revenue from licensing of broadcasting rights of the drama series by the Group was mainly due to the substantial increase in the number of drama series under multiple-round releases (including first-run and re-run broadcast) broadcast by the Group in 2023, representing an increase as compared to four drama series broadcast in 2022.

Most of the Group's drama series broadcast in 2023 have achieved good broadcasting results. For example, *Hello Beautiful Life* (《心想事成》), a metropolitan emotion drama series starring Mao Xiaotong (毛曉彤), Zhang Li (張儷) and Li Zefeng (李澤鋒), as a key project supported by the Beijing Municipal Radio and Television Bureau, was selected into the 2023 "Big Drama Watching CMG (大劇看總台)" TV series list released by China Media Group and ranked Top 8 in the "CCTV • Top 10 TV Dramas with Prime Time Closing Series Ratings (央視 • 黃金時段收官電視劇收視率Top 10)" released by China Audio Video Big Data from January to May 2023; *The White Castle* (《白色城堡》), a metropolitan medical drama series starring Peng Guanying (彭冠英) and Tu Songyan (涂松岩) ranked top 1 in the TV network rating list 19 times during its broadcast period; *You are Desire* (《白日夢我》), a youthful romantic drama series starring Zhou Yiran (周翊然) and Zhuang Dafei (莊達菲), was broadcast on Mango TV and Hunan Satellite TV's prime time slot on August 12, 2023 and August 30, 2023, respectively. With the impressive broadcasting results, this drama series once again realized the innovative broadcasting model of "Online first, TV next (先網後台)".

1 The name of the drama series *Diary on Wage Hike* (《加薪日記》) had been changed to *All Hands on Deck* (《開工日記》). The name of the drama series is subject to final approval of the NRTA.

## BUSINESS REVIEW AND PROSPECTS (CONT'D)

### Business Analysis by Business Line (cont'd)

*(i) Licensing of broadcasting rights of the drama series to TV channels, online video platforms and third-party distributors (cont'd)*

As of December 31, 2023, the Group has a number of high-quality and diverse drama series to be broadcast or under preparation. For example, *Cat & Thief* (《鬥賊》), directed by Gong Zhaohui (龔朝暉), scripted by Li Song (李松) and Lou Kexin (婁可心), and starred by Huang Jingyu (黃景瑜) and Xiu Rui (修睿), a crime comedy about the battle of wits between a detective and the "king of thieves"; *Lost Identity* (《孤戰迷城》), directed by Xie Ze (謝澤), scripted by Dai Jin (戴津), and starred by Huang Jingyu (黃景瑜) and Xin Zhilei (辛芷蕾), a modern spy war drama series about the underground party members of the Chinese Communist Party who were lurking in the Bureau of Investigation and Statistics (BIS) in the late period of the Second Sino-Japanese War, fighting to the death with the enemy and smashing various conspiracies after memory lost; *The Swimsuit Saga* (《乘風踏浪》), directed by Zhang Silin (張思麟), scripted by Xu Zhengchao (徐正超), and starred by Qiao Shan (喬杉) and Yang Zishan (楊子姍), a contemporary entrepreneurial comedy series about people who make swimsuits in Xingcheng riding on the wind of reform to successfully start a business; and *Breaking the Shadows* (《烏雲之上》), directed by Hua Qing (花箐), scripted by Wang Bu (王不) and Yi Ying (一瑩), and starred by Sun Li (孫儷) and Luo Jin (羅晉), a realistic mystery drama series about a female detective who unravels the mystery and solves the crimes.

As of the date of this report, *The Swimsuit Saga* (《乘風踏浪》), a contemporary entrepreneurial comedy directed by Zhang Silin (張思麟), scripted by Xu Zhengchao (徐正超), and starred by Qiao Shan (喬杉) and Yang Zishan (楊子姍) was premiered on iQiyi and Mango TV, and simultaneously broadcast on Beijing Satellite TV and Dragon TV via satellite on March 29, 2024. The comedy tells a story about how a nobody overcomes hardship and starts a business, and how a domestic brand emerges. It represents the Group's another attempt and breakthrough in the production of drama series with theme that reflects social reality.

*(ii) Production of made-to-order drama series per online video platforms' orders*

In 2023, the Group delivered two made-to-order drama series, including *The Forbidden Flower* (《夏花》). The Group's revenue generated from production of made-to-order drama series amounted to approximately RMB83.6 million for the year ended December 31, 2023 as compared to approximately RMB495.9 million for the year ended December 31, 2022. Apart from the decrease in the number of made-to-order drama series delivered in 2023 as compared to three delivered in 2022, the investment scale per delivered made-to-order drama series was also smaller than that in 2022.

The Group continues to seize the opportunities for business cooperations with online platforms, develop tailored content and deliver them precisely according to the style/preference and clear user profile of the downstream broadcasting platform, and make efforts to deliver quality content products with a wide variety of genres while maintaining its existing level of production. This year saw the delivery of *The Forbidden Flower* (《夏花》), directed by Chen Zhoufei (陳宙飛), scripted by Zhao Xiaolei (趙曉磊), and starred by Jerry Yan (言承旭) and Xu Ruohan (徐若晗), a romance drama series about a love story between a young girl and a middle-aged castaway man. Since its broadcast on February 13, 2023, this drama series has achieved good broadcast results.

## BUSINESS REVIEW AND PROSPECTS (CONT'D)

### Business Analysis by Business Line (cont'd)

*(ii) Production of made-to-order drama series per online video platforms' orders (cont'd)*

As of December 31, 2023, *In the Name of the Brother* (《哈爾濱一九四四》), the Group's quality made-to-order drama series, was in its post-production stage. The drama series, directed by Zhang Li (張黎), scripted by Wang Xiaoqiang (王小槍), Liu Tianzhuang (劉天壯) and Liu Jinfei (劉勁飛), and starred by Qin Hao (秦昊) and Yang Mi (楊冪), narrates a story about a communist secret agent who penetrates the secret service unit of the Harbin Police Department and has a battle of wits with the head of the unit, finally clearing the path to final victory of the war against the enemies. *In the Name of the Brother* (《哈爾濱一九四四》) has become a hit before being broadcast, and won the award of the "Most Expected Drama Series of 2024 (2024年度期待劇集)" from the Golden Pufferfish Awards (金河豚獎).

As of the date of this report, *In the Name of the Brother* (《哈爾濱一九四四》) was officially scheduled for broadcasting on April 21, 2024, and will be broadcast simultaneously on iQiyi, Dragon TV, Jiangsu TV and Beijing Satellite TV. This drama series was also awarded with "Inclusion China" Influential TV Series of the Year (「融合中國」年度影響力電視劇) in the 2024 All-Media Information Industry Innovation Conference and "Inclusion China" Promotion Ceremony for Outstanding Radio, Film and Television Projects held in Ningbo on April 14, 2024 for its fine production and excellent filming crew.

*(iii) Others*

The Group's other business primarily includes transfer of IP copyrights held by the Group to independent third parties.

## OUTLOOK

Looking ahead, the Group will maintain its strategic strength, and continue to implement and refine its platform operation model; always develop quality contents for its long term success, strengthen its IP operation and management, and continuously and steadily deliver premium dramas to the audience; rationally explore the novel application of new technologies such as algorithm and AIGC in its business operation so as to improve its production efficiency and promote industrialized production; strive to expand the pathways of monetization and promote the subsequent commercial monetization of its quality contents; and move forward along the right track of green operation and development to promote the growth of the Group in a more efficient and sustainable way, so as to make contribution to the realization of the goal of "carbon peak and carbon neutrality" in ESG.

The first move determines the rest of the game, and the first step determines the rest of the journey. In 2024, the Group will continue to make great strides forward hand in hand with outstanding industry participants, explore and unleash more quality content values so as to provide the audiences with diversified premium contents and works, and take realistic actions to steadily build up a solid foundation to weather the ever-changing tide of the industry.

## 2023 FINANCIAL REVIEW

### Consolidated statement of profit or loss

| | Year ended December 31, | |
|---|---|---|
| | 2022 | **2023** |
| | RMB in thousands | |
| **REVENUE** | 980,923 | **840,663** |
| Cost of sales | (761,170) | **(777,406)** |
| Gross profit | 219,753 | **63,257** |
| Other income and gains | 33,889 | **15,569** |
| Selling and distribution expenses | (48,309) | **(56,698)** |
| Administrative expenses | (65,432) | **(102,239)** |
| Impairment of financial assets, net | (39,166) | **(23,510)** |
| Other expenses | (888) | **(778)** |
| Finance costs | (17,329) | **(14,248)** |
| Share of profits and losses of joint ventures | (4,357) | **(452)** |
| Share of profits and losses of associates | (225) | **1,613** |
| **PROFIT/(LOSS) BEFORE TAX** | 77,936 | **(117,486)** |
| Income tax (expense)/credit | (27,929) | **9,977** |
| **PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | 50,007 | **(107,509)** |
| Attributable to: | | |
| Owners of the parent | 50,933 | **(109,307)** |
| Non-controlling interests | (926) | **1,798** |
| | 50,007 | **(107,509)** |
| ***NON-HKFRS MEASURE[1]:*** | | |
| Adjusted net profit/(loss)[2] | 73,562 | **(88,089)** |

## 2023 FINANCIAL REVIEW (CONT'D)

### Consolidated statement of profit or loss (cont'd)

*Notes:*

(1) To supplement its historical financial information which are presented in accordance with HKFRS, the Group also uses adjusted net profit/(loss) as an additional financial measure, which is unaudited in nature and is not required by, or presented in accordance with HKFRS. The Group believes that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of its operating performance. The Group believes that this measure provides useful information to investors and others in understanding and evaluating its results of operations in the same manner as it helps the Group's management. However, the Group's presentation of adjusted net profit/(loss) may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, the Group's results of operations or financial condition as reported under HKFRS.

(2) The Group defines adjusted net profit/(loss) as profit/(loss) for the year adjusted by adding back equity-settled share award expense incurred during the respective year. The Group eliminates the potential impact of this item that the management does not consider to be indicative of the Group's operating performance, as it is non-operating in nature. Equity-settled share award expense is also a non-cash item and unrelated to the Group's principal business, and therefore is not indicative of its profit from operations post-completion of the Listing.

### Revenue by Business Line

The Group's revenue decreased from approximately RMB980.9 million for the year ended December 31, 2022 to approximately RMB840.7 million for the year ended December 31, 2023, primarily attributable to the decrease in revenue from drama series broadcast by the Group due to the tightened procurement budgets from broadcast platforms and the decline in traffic of the D2C content market.

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2022 | | **2023** | |
| | (RMB in thousands, except gross profit margin) | | | |
| Licensing of the broadcasting rights of drama series | 481,025 | 49.0% | **749,233** | **89.1%** |
| Made-to-order drama series production | 495,877 | 50.6% | **83,647** | **10.0%** |
| Others | 4,021 | 0.4% | **7,783** | **0.9%** |
| Total | 980,923 | 100.0% | **840,663** | **100.0%** |

## 2023 FINANCIAL REVIEW (CONT'D)

### Revenue by Business Line (cont'd)

*Licensing of the broadcasting rights of drama series*

The Group's revenue generated from licensing of the broadcasting rights of drama series increased from approximately RMB481.0 million for the year ended December 31, 2022 to approximately RMB749.2 million for the year ended December 31, 2023, primarily due to the substantial increase in the number of drama series under multiple-round releases (including first-run and re-run broadcast) broadcast by the Group in 2023, including *Never Give Up* (《今日宜加油》), *Hello Beautiful Life* (《心想事成》), *You are Desire* (《白日夢我》), *The White Castle* (《白色城堡》) and *Never Too Late* (《我的助理不簡單》), etc., representing an increase as compared to four drama series broadcast in 2022.

*Made-to-order drama series production*

The Group's revenue generated from production of made-to-order drama series decreased from approximately RMB495.9 million for the year ended December 31, 2022 to approximately RMB83.6 million for the year ended December 31, 2023. The Group delivered two made-to-order drama series in 2023, representing a decrease as compared to three drama series delivered in 2022. Apart from this, the investment scale per delivered made-to-order drama series was also smaller than that in 2022.

*Others*

Others primarily comprise revenue from the assignment fee received from the copyright of an IP license.

### Gross Profit and Gross Profit Margin

The Group's gross profit decreased by 71.2% from approximately RMB219.8 million for the year ended December 31, 2022 to approximately RMB63.3 million for the year ended December 31, 2023. The Group's gross profit margin decrease to 7.5% for the year ended December 31, 2023 from 22.4% for the year ended December 31, 2022, primarily attribute to (i) a decrease in revenue of the Group for the year ended December 31, 2023 resulting from the decrease in revenue from drama series broadcast by the Group due to the tightened procurement budgets from broadcast platforms and the decline in traffic of the D2C content market, while the operating costs of the Group for the year ended December 31, 2023 remained relatively stable as compared to that of last year; and (ii) the impairment of inventories with signs of impairment included in cost of sales (i.e. the reserved IPs of those projects which are either unable to meet the conditions for the commencement of filming or unlikely to be successful in project incubation), based on the Group's estimate after taking into account of a number of factors such as the development of the industry, project genres, policy direction, age of inventory, intended sales, the conversion rate of the current IP reserves and the prospects of its future operation.

The following table sets forth the Group's gross profit and gross profit margin by business line in 2022 and 2023:

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2022 | | **2023** | |
| | Gross Profit | Gross Profit Margin | **Gross Profit** | **Gross Profit Margin** |
| | (RMB in thousands, except gross profit margin) | | | |
| Licensing of the broadcasting rights of drama series | 134,639 | 28.0% | **47,751** | **6.4%** |
| Made-to-order drama series production | 83,632 | 16.9% | **13,715** | **16.4%** |
| Others | 1,482 | 36.9% | **1,791** | **23.0%** |
| Total | 219,753 | 22.4% | **63,257** | **7.5%** |

## 2023 FINANCIAL REVIEW (CONT'D)

### Other Income and Gains

Other income and gains decreased by 54.1% or approximately RMB18.3 million from approximately RMB33.9 million for the year ended December 31, 2022 to approximately RMB15.6 million for the year ended December 31, 2023. This was primarily attributable to the decrease in government grants of approximately RMB16.8 million.

### Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 17.4% to approximately RMB56.7 million for the year ended December 31, 2023 from approximately RMB48.3 million for the year ended December 31, 2022, primarily due to the increase in the number of drama series of the Group broadcast during the year ended December 31, 2023.

### Administrative Expenses

The Group's administrative expenses increased by 56.3% to approximately RMB102.2 million for the year ended December 31, 2023 from approximately RMB65.4 million for the year ended December 31, 2022, primarily due to the termination of several drama series projects based on the Group's estimate after taking into account of a number of factors such as the development of the industry, project genres, policy direction, age of prepayments, intended sales, the conversion rate of the current IP reserves and the prospects of its future operation.

### Impairment of Financial Assets, net

The Group's impairment loss of financial assets, net decreased by 40.0% to approximately RMB23.5 million for the year ended December 31, 2023 from approximately RMB39.2 million for the year ended December 31, 2022, primarily attribute to (i) the decrease in the impairment of amount due from a joint venture, net of approximately RMB31.0 million, (ii) the decrease in the impairment of other receivables, net of approximately RMB6.2 million; and partially offset by (iii) the increase in the impairment of trade receivables, net of approximately RMB21.5 million.

For further details of the impairment of financial assets, net, please refer to the Notes 6, 20, 21 and 34(b) to the financial statements.

### Finance Costs

The Group's finance costs decreased by 17.8% from RMB17.3 million for the year ended December 31, 2022 to RMB14.2 million for the year ended December 31, 2023, primarily due to the decrease in interest on discounted notes receivable of RMB2.6 million.

### Income Tax Credit/(Expense)

The Group recorded an income tax credit of approximately RMB10.0 million for the year ended December 31, 2023 as compared to an income tax expense of approximately RMB27.9 million for the year ended December 31, 2022, primarily due to (i) the increase of deferred tax credit which were impacted by the provisions for impairment of relevant assets with signs of impairment; and (ii) the decrease in taxable profit made in 2023.

## 2023 FINANCIAL REVIEW (CONT'D)

### Non-HKFRS Measure

To supplement its historical financial information which are presented in accordance with HKFRS, the Group also uses adjusted net profit/(loss) as an additional financial measure, which is unaudited in nature and is not required by, or presented in accordance with HKFRS. The Group believes that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of its operating performance. The Group believes that this measure provides useful information to investors and others in understanding and evaluating its results of operations in the same manner as it helps the Group's management. However, the Group's presentation of adjusted net profit/(loss) may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, the Group's results of operations or financial condition as reported under HKFRS.

The Group defines adjusted net profit/(loss) as profit/(loss) for the year adjusted by adding back equity-settled share award expense incurred during the respective year. The Group eliminates the potential impact of this item that the management does not consider to be indicative of the Group's operating performance, as it is non-operating in nature. Equity-settled share award expense is also a non-cash item and unrelated to the Group's principal business, and therefore is not indicative of its profit from operations post-completion of the Listing.

The table below reconciles the Group's adjusted net profit/(loss) for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is the net profit/(loss) for the year:

| | Year ended December 31, | |
|---|---|---|
| | 2022 | **2023** |
| | (RMB in thousands) | |
| Reconciliation of net profit/(loss) to adjusted net profit/(loss) | | |
| Net profit/(loss) for the year | 50,007 | **(107,509)** |
| Add: | | |
| Equity-settled share award expense | 23,555 | **19,420** |
| Adjusted net profit/(loss) (non-HKFRS measure) | 73,562 | **(88,089)** |

## FINANCIAL POSITION

| | Year ended December 31 | |
|---|---|---|
| | 2022 | **2023** |
| | (RMB in thousands) | |
| Total non-current assets | 134,372 | **164,330** |
| Total current assets | 2,358,191 | **2,419,298** |
| Total current liabilities | 661,772 | **810,262** |
| Net Current assets | 1,696,419 | **1,609,036** |
| Total non-current liabilities | 5,185 | **34,048** |
| Total equity | 1,825,606 | **1,739,318** |

### Inventories

| | Year ended December 31, | |
|---|---|---|
| | 2022 | **2023** |
| | (RMB in thousands) | |
| Raw materials | 178,178 | **220,144** |
| Work in progress | 157,453 | **682,032** |
| Finished goods | 773,802 | **406,305** |
| Total | 1,109,433 | **1,308,481** |

The Group's inventories increased by 17.9% to approximately RMB1,308.5 million as of December 31, 2023 from approximately RMB1,109.4 million as of December 31, 2022, primarily due to the increase in work in progress of approximately RMB524.6 million since the drama series under preparation as of December 31, 2023 increased from that as of December 31, 2022, such as *In the Name of the Brother* (《哈爾濱一九四四》), *Reborn for Love* (《四海重明》), *Breaking the Shadows* (《烏雲之上》) and *Win or Die* (《夜不收》). The increase was partially offset by the decrease in finished goods of approximately RMB367.5 million since the Group broadcast several drama series in 2023, such as *Never Too Late* (《我的助理不簡單》), *Never Give Up* (《今日宜加油》), *You are Desire* (《白日夢我》), *The Forbidden Flower* (《夏花》), and *Hello Beautiful Life* (《心想事成》).

### Trade and Notes Receivables

The Group's trade receivables increased by 23.3% to approximately RMB554.6 million as of December 31, 2023 from approximately RMB450.0 million as of December 31, 2022, primarily due to the increase in trade receivables of approximately RMB444.2 million for drama series broadcast in 2023, and partially offset by the decrease in trade receivables of approximately RMB339.6 million for drama series broadcast in previous years.

As of December 31, 2022 and 2023, the Group made provisions for impairment of trade receivables of approximately RMB18.4 million and RMB41.1 million, respectively, which the Group believes were sufficient as of the end of each year.

The Group's notes receivable decreased from approximately RMB113.8 million as of December 31, 2022 to approximately RMB40.7 million as of December 31, 2023, primarily due to (i) the decrease in notes receivable received from a top satellite TV channel for the licensing fees of *To Fly with You* (《陪你逐風飛翔》) broadcast in 2021; (ii) the decrease in notes receivable matured by bank in Mainland China for the licensing fees of *Thousand Years For You* (《請君》); and partially offset by (iii) the increase in notes receivable received as licensing fees for *You are Desire* (《白日夢我》) broadcast in 2023.

## FINANCIAL POSITION (CONT'D)

### Prepayments, Other Receivables and Other Assets

The Group's prepayments, other receivables and other assets decreased by 13.0% to approximately RMB336.2 million as of December 31, 2023 from approximately RMB386.2 million as of December 31, 2022, primarily attributable to the decrease in loans receivable of approximately RMB56.8 million as a result of the settlement of lendings for third-parties, and partially offset by the increase in prepayments for drama series of approximately RMB19.4 million, since the Group had more drama series that were entered into the pre-production stage as of December 31, 2023 than that in 2022.

As of December 31, 2022 and 2023, the Group made provisions for impairment of other receivables of approximately RMB7.0 million and approximately RMB7.8 million, respectively, which the Group believes were sufficient as of the end of each year.

### Goodwill

The Group's goodwill was approximately RMB108.3 million as of December 31, 2023 and December 31, 2022.

### Trade Payables

The Group's trade payables increased by 39.7% from approximately RMB215.3 million as of December 31, 2022 to approximately RMB300.8 million as of December 31, 2023, primarily due to the increase in the number of drama series that were in post-production or production stage as of December 31, 2023 in comparison with 2022.

### Other Payables and Accruals

The Group's other payables and accruals increased by 41.9% to approximately RMB224.4 million as of December 31, 2023 from approximately RMB158.2 million as of December 31, 2022, primarily due to the increase in contract liabilities of approximately RMB78.5 million from approximately RMB137.0 million as of December 31, 2022 as a result of the increase in advances from customers for *Breaking the Shadows* (《烏雲之上》).

## DIVIDENDS

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2023.

## CAPITAL STRUCTURE, LIQUIDITY AND CAPITAL RESOURCES

The Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on January 15, 2021.

As at December 31, 2023, the Company had 700,394,200 ordinary shares of US$0.000025 each.

On May 12, 2023, 3,764,800 new Shares, representing approximately 0.54% of the total number of Shares in issue of the Company as of the date of this report, were allotted and issued upon the exercise of share options by a Director under the Pre-IPO Share Option Scheme. For details, please refer to the announcement of the Company dated May 12, 2023. There has been no movement in the issued Shares of the Company since then.

The Company maintained a healthy financial position in 2023. The Group's total assets increased from approximately RMB2,492.6 million as of December 31, 2022 to approximately RMB2,583.6 million as of December 31, 2023, whilst the Group's total liabilities increased from approximately RMB667.0 million as of December 31, 2022 to approximately RMB844.3 million as of December 31, 2023. The Group's liabilities-to-assets ratio increased from 26.8% as of December 31, 2022 to 32.7% as of December 31, 2023.

Historically, the Group financed its capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, net proceeds received from the global offering and capital contributions from Shareholders. As of December 31, 2023, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounting to approximately RMB1,609.0 million and approximately RMB154.4 million, respectively, as compared to approximately RMB1,696.4 million and approximately RMB208.0 million, respectively, as of December 31, 2022.

As of December 31, 2023, all of the cash and cash equivalents of the Group were denominated in RMB, HK$ and US$.

The Group believes that its liquidity requirements will continue to be satisfied by using a combination of cash generated from operating activities, interest-bearing bank and other borrowings and the net proceeds received from the global offering of the Company.

As of December 31, 2023, the Group's total interest-bearing bank and other borrowings were approximately RMB306.7 million, all of which were at fixed interest rate and denominated in RMB.

The Group currently does not have any foreign currency hedging policies. The management will continue to pay attention on the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

## CAPITAL STRUCTURE, LIQUIDITY AND CAPITAL RESOURCES (CONT'D)

### Contingent Liability

On December 25, 2023, Jiangsu Strawbear received a notice of response from the Beijing Internet Court. Jiangsu Strawbear, together with four other entities, were sued by Lugang Internet Film and Television (Beijing) Co., Ltd. (鹿港互聯影視(北京)有限公司) for copyright infringement and are required to bear joint and several damages of RMB88,415,094 for the losses suffered by Lugang Internet Film and Television (Beijing) Co., Ltd. As at the date of this announcement, the case was accepted in the Beijing Internet Court for trial. However, the trial date for the case has not been determined yet. Based on the legal advice provided by the PRC legal counsel and available evidences, the Directors do not believe it is probable that the court will decide against Jiangsu Strawbear. Even if in the extreme case Jiangsu Strawbear was to lose the lawsuit, the Directors are unable to determine the amount of compensation Jiangsu Strawbear would be required to pay based on the information currently available, and therefore the Directors cannot assess the potential impact on the Group. Consequently, no provision was made in respect of this proceeding as at December 31, 2023.

Save as disclosed above, as at December 31, 2023, the Group had no other contingent liabilities.

### Capital Expenditure

The Group's capital expenditures primarily included purchase of property, plant and equipment. The Group's capital expenditures decreased to approximately RMB2.4 million in 2023 from approximately RMB3.0 million in 2022. The Group plans to fund its planned capital expenditures using cash generated from operations as well as the net proceeds from the global offering.

### Financial Ratios

*Return on Equity*

The Group's return on equity decreased from 2.8% for the year ended December 31, 2022 to (6.0)% for the year ended December 31, 2023, primarily due to the profit for 2022 decreased to a loss for 2023.

*Return on Assets*

The Group's return on assets decreased from 1.9% for the year ended December 31, 2022 to (4.2)% for the year ended December 31, 2023, primarily due the profit for 2022 decreased to a loss for 2023.

*Current Ratio*

The Group's current ratio decreased from 3.56 for the year ended December 31, 2022 to 2.99 for the year ended December 31, 2023, primarily because the increase in its current liabilities outpaced the increase in its current assets from 2022 to 2023.

*Debt to Equity Ratio*[1]

The Group's debt to equity ratio increased from 4.0% for the year ended December 31, 2022 to 9.2% for the year ended December 31, 2023.

1 Debt to equity ratio is calculated based on net debt (of which net debt is defined as interest-bearing bank and other borrowings, lease liabilities, amounts due to a joint venture and a related party deduct cash and cash equivalents) divided by total equity as of the relevant dates multiplied by 100%.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2023. As of December 31, 2023, the Group did not hold any significant investments.

## USE OF PROCEEDS FROM GLOBAL OFFERING

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. The net proceeds from the global offering received by the Company, after deducting underwriting fees and commissions and other expenses payable by the Company in connection with the global offering, amounted to approximately HK$1,071.1 million (the "**Net Proceeds**").

On September 15, 2021, the Board has resolved to re-allocate part of the unutilised Net Proceeds of approximately HK$635.7 million (approximately 59.4% of the Net Proceeds), of which (i) HK$528.6 million originally intended to be used for funding the production of *Hello Baby* (《你好寶貝》), *No One but You* (《也許這就是愛情》), *Light My Way* (《偷走他的心》), *The Wind Catcher* (《捕風者》) and *Two Capitals* (《兩京十五日》) (the "**Original Drama Series**") was re-allocated to funding the production of *Cat & Thief* (《鬥賊》), *The Swimsuit Saga* (《乘風踏浪》), *Never Too Late* (《我的助理六十歲》) and *Thousand Years For You* (《請君》) (the "**New Drama Series**"); and (ii) HK$107.1 million originally intended to be used for acquiring one premium copyright company which focuses on investment, development, production and distribution of web series was re-allocated to acquire more premium IPs. Considering that (i) the Original Drama Series whose production was originally intended to be funded with Net Proceeds were in the early development or preparation stage, and necessary conditions required for production have not been met; and (ii) the Group has obtained a number of premium and mature projects with necessary conditions required for production having been met in the first half of 2021, the Net Proceeds originally intended to be used for the production of the Original Drama Series were re-allocated to the production of the New Drama Series then under production, so as to enhance the efficiency and effectiveness of the use of the Net Proceeds. In addition, as (i) no suitable acquisition target of premium copyright company has been found due to the combined effect of changes in the market structure and significant differences in the understanding of the value of the potential acquisition target, (ii) instead of acquisition of one highly valued copyright company, the Board believes that acquisition of premium IPs directly from a variety of sources to maintain an adequate level of IP reserves would be much more efficient and could facilitate efficiency in the use of the Group's funds due to the rapid and unforeseen changes in the market and industry environment since the Listing, and (iii) the current sources of premium IPs are more diversified and that the continuous acquisition of more IPs is the basis for the stable growth of the Group, the Group re-allocated part of the Net Proceeds originally planned to be used for acquiring one premium copyright company which focuses on investment, development, production and distribution of web series to acquiring more premium IPs suitable for the development and production by the Group to guarantee the stable growth of drama series production and distribution, which will also satisfy the demand for premium IPs of the Group in a more flexible way. For details, please refer to the announcement of the Company dated September 15, 2021 (the "**Announcement**").

## USE OF PROCEEDS FROM GLOBAL OFFERING (CONT'D)

The following table sets out (i) the original allocation of Net Proceeds as set out in the Prospectus; (ii) the revised allocation of the unutilised Net Proceeds as set out in the Announcement; (iii) the utilised amount of Net Proceeds during the year ended December 31, 2023; (iv) the utilised and unutilised amount of Net Proceeds as of December 31, 2023; and (v) the latest expected timeline for utilisation:

| | Net proceeds from the global offering and utilisation | | | | | |
|---|---|---|---|---|---|---|
| | Original allocation of Net Proceeds HK$ in million | Revised allocation of Net Proceeds HK$ in million | Utilised amount of Net Proceeds during the year ended December 31, 2023 HK$ in million | Utilised amount of Net Proceeds as of December 31, 2023 HK$ in million | Unutilised amount of Net Proceeds as of December 31, 2023 HK$ in million | Expected timeline for utilisation[1] |
| Funding the drama series production of the Group | 749.8 | 749.8 | – | 749.8 | – | |
| Funding potential investment in, or merger and acquisition of, companies that may enhance the Group's market position and ramp up the Group's drama series development, production and distribution | 107.1 | 107.1 | – | – | 107.1 | By the end of 2025 |
| Securing more IPs to guarantee the stable growth of the Group's drama series production and distribution by acquiring one premium copyright company which focuses on investment, development, production and distribution of web series | 107.1 | – | – | – | – | – |
| Acquiring more premium IPs to guarantee the stable growth of the Group's drama series production and distribution | – | 107.1 | 42.3 | 107.1 | – | – |
| Working capital and general corporate purposes | 107.1 | 107.1 | – | 107.1 | – | – |
| **Total** | **1,071.1** | **1,071.1** | **42.3** | **964.0** | **107.1** | |

*Note:*

(1) The expected timeline for the usage of the remaining Net Proceeds is made based on the best estimate of the Group's future market conditions, which is subject to the current and future development of the market conditions.

As of December 31, 2023, the Group has utilised Net Proceeds of HK$964.0 million in accordance with the intended purposes set out in the Prospectus and the Announcement. The remaining Net Proceeds were deposited in banks as of the date of this report. The Group will gradually utilise the remaining Net Proceeds in accordance with the intended purposes set out in the Prospectus and the Announcement.

## FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the section headed "Use of Proceeds from Global Offering" in this report, the Group does not have any other immediate plans for material investment and capital assets as at the date of this report. The Group may look into business and investment opportunities in different business areas and consider whether any asset or business acquisitions, restructuring or diversification may become appropriate in order to improve its long-term competitiveness.

## MATERIAL LITIGATION

As of the date of this report, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## PLEDGE OF ASSETS

As of December 31, 2023, the Group's trade receivables, which had an aggregate net carrying value of approximately RMB5,200,000 (2022: RMB211,384,000), the pledged deposits amounting to RMB62,778,000 (2022: RMB61,493,000) were pledged to secure the interest-bearing bank and other borrowings granted to the Group.

## FINANCIAL RISKS

### Credit Risk

The Group's credit risk is primarily attributable to trade and notes receivables, financial assets included in prepayments, other receivables and other assets and cash deposits at banks. The maximum exposure to credit risk is represented by the gross carrying amounts of these financial assets.

To manage its credit risk arising from financial asset at fair value through profit or loss and cash deposits, the Group mainly trades with recognised and creditworthy third parties. Receivable balances are monitored on an on-going basis.

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. The Group does not provide any guarantees which would expose the Group to credit risk. As the Group's historical credit loss experiences do not indicate significantly different loss patterns for different businesses, the loss allowance based on past due status is not further distinguished between its different customer bases.

The Group has applied the general approach to make provision for expected credit losses for other receivables and considered the default event, historical loss rate and made adjustment for forward-looking macroeconomic data in calculating the expected credit loss.

For further information relating to its credit risk, see Note 37 to the financial statements.

### Liquidity Risk

The Group manages liquidity risk by closely and continuously monitoring its financial position. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by its management to finance its operations and mitigate the fluctuations in cash flows.

For further information on the Group's liquidity risk, please refer to the Note 37 to the financial statements.

## EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2023, the Group had 71 employees, including 23 based in Jiangsu Province, 33 based in Beijing, 3 based in Xinjiang Uyghur Autonomous Region, 5 based in Zhejiang Province and 7 based in Hainan Province. The following table shows a breakdown of the employees by function as of December 31, 2023:

| Functions | Number of Employees | % of Total Employees |
|---|---|---|
| Management | 3 | 4.2% |
| Development Strategic Management | 6 | 8.5% |
| Operation and Project Coordination | 9 | 12.7% |
| Production | 3 | 4.2% |
| IP Development | 2 | 2.8% |
| Business Operation | 3 | 4.2% |
| Production Management | 6 | 8.5% |
| Financing and Investment | 1 | 1.4% |
| Distribution | 3 | 4.2% |
| Casting and Talents Management | 1 | 1.4% |
| Marketing and Promotion | 3 | 4.2% |
| Government Affairs | 1 | 1.4% |
| Finance and Legal | 15 | 21.1% |
| Corporate Compliance | 3 | 4.2% |
| Human Resources and Administrative | 11 | 15.5% |
| Overseas Development | 1 | 1.4% |
| **Total** | **71** | **100%[1]** |

For the year ended December 31, 2023, total staff remuneration expenses (including Directors' remuneration) amounted to approximately RMB44.5 million, as compared to approximately RMB41.1 million for the same period in 2022. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions made by the Group, performance-based compensation, discretionary bonus, RSUs granted to selected employees and supplemental medical insurances. These emoluments are covered by respective service contracts of each of the Directors. The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

[1] The aggregate percentage may not add up to the total percentage of 100% due to rounding.

## EMPLOYEES AND REMUNERATION POLICIES (CONT'D)

The Group believes it has maintained good relationships with its employees. The employees are not represented by a labor union. As of the date of this report, the Group did not experience any strikes or any labor disputes with its employees which have had or are likely to have a material effect on its business.

The employees of the Group typically enter into standard employment contracts with a confidentiality clause and non-competition agreements with the Group. The Group places high value on recruiting, training and retaining its employees. The Group maintains high recruitment standards and provides competitive compensation packages. Remuneration packages for its employees mainly comprise base salary and bonus. The Group also provides both in-house and external trainings for its employees to improve their skills and knowledge. The Group also adopted Pre-IPO Share Option Scheme and RSU Schemes to reward the selected employees for their contribution to the growth and development of the Group.

The Group contributes to housing provident funds and various employee social security insurance organised by applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury and unemployment insurance, under which the Group makes contributions at specified percentages of the salaries of employees in accordance with applicable PRC laws, rules and regulations.

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, no significant event that might affect the Group occurred after the Reporting Period.

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. Liu Xiaofeng (劉小楓)**, aged 46, is an executive Director, the Chairman, the chairman of the Environmental, Social and Governance Committee, a member of each of the Remuneration Committee and the Nomination Committee, and the chief executive officer of the Company. Mr. Liu joined the Group in June 2014 and is primarily responsible for the overall corporate and business strategies and overseeing the management and operation of the Group.

With approximately 20 years of experience in media industry, Mr. Liu has gained an in-depth understanding of production and distribution of TV series and acquired rich management experience by managing the Group and developing its business. Mr. Liu founded the Group in June 2014 and has been the chief executive officer of the Group since then. Prior to the foundation of the Group, Mr. Liu worked in a number of well recognised media companies focusing on production and distribution of TV series. Mr. Liu served as the director of Phoenix Legend Films Co., Ltd. (鳳凰傳奇影業有限公司), a leading multimedia company focusing on investment, production and distribution of films and TV series, from October 2010 to June 2014. Prior to that, Mr. Liu served as the general manager of Nanjing Legend Image Co., Ltd. (南京傳奇影業有限公司). From 2003 to 2006, Mr. Liu worked as the deputy general manager of Jiangsu Langtaosha Pictures Co., Ltd. (江蘇省浪淘沙影業有限公司). Mr. Liu started his career as a reporter in July 2000 and subsequently served as a director of variety shows at Jiangsu Television (江蘇電視台) until July 2003.

Mr. Liu has profound influence in the drama series industry, evidenced by more than 30 drama series with over 1,480 episodes he has produced and distributed, some of which won the annual viewership rating champions of various TV channels, such as *Legend Of Zu Mountain* (《蜀山戰紀之劍俠傳奇》) and *Second Time Is A Charm* (《第二次也很美》). He is also the first to initiate the "Online first, TV next (先網後台)" broadcasting model which introduced a new broadcasting arrangement among distribution channels. Attributable to his deep understanding and accurate prediction of the future trends of the drama series industry in the PRC, Mr. Liu is a first-mover in cooperation with online video platforms, thereby having seised the opportunities brought by the rise of such platforms. He is also the first to adopt the platform business model to integrate premium industry resources to ensure the Group's rapid and sustainable growth. Mr. Liu is a member of China Television Artists Association (中國電視藝術家協會), a member of Netcasting Exchange Service Committee of China National Film and Television Art Development Promotion Association (中國民族影視藝術發展促進會網絡視聽交流服務委員會), a council member of Jiangsu Provincial Television Artists Association (江蘇省電視藝術家協會) and the vice president of Film and Television Artists Association of Nanjing City (南京市電影電視藝術家協會). Mr. Liu is recognised and cultivated as one of the Leading Talents (領軍人才) of Year 2020 in Field of National Radio, Television and Network Audio-visual Industry (全國廣播電視和網絡視聽行業) and was awarded the "Top 10 Drama Producers in a Decade (十年十傳劇集人)" of the CEIS 2024 Golder Pufferfish Awards (CEIS 2024金河豚獎). Mr. Liu was recognized as the "Inclusion China" Person of the Year for industry contribution (「融合中國」年度貢獻力人物) in the 2024 All-Media Information Industry Innovation Conference and "Inclusion China" Promotion Ceremony for Outstanding Radio, Film and Television Projects held in Ningbo on April 14, 2024.

Mr. Liu graduated from Nanjing University (南京大學) in June 1997 and obtained his bachelor's degree in market information management.

Mr. Liu has not held directorship in any other listed company in the three years immediately preceding the date of this report.

## DIRECTORS (CONT'D)

### Executive Directors (cont'd)

**Ms. Zhang Qiuchen (張秋晨)**, aged 46, was an executive Director and the chief marketing officer of the Company. Ms. Zhang resigned as an executive Director and the chief marketing officer of the Group with effect from May 4, 2023. Ms. Zhang joined the Group in October 2014 and was primarily responsible for sales and distribution of TV/web series and publicity and branding of the Group.

Ms. Zhang has approximately 20 years of experience in sales, marketing and distribution of TV series in the PRC. She has distributed more than 20 drama series with over 1,000 episodes since 2000 and is regarded as one of the best individual distributors in the industry. Since October 2014, she has been the chief marketing officer and deputy director of distribution of Jiangsu Strawbear where she is primarily responsible for sales and distribution of the Group's TV series and taking charge of certain work studio for development, production and sales of the web series. Prior to joining the Group, Ms. Zhang served as the general manager of Nanjing Tongqiu Films and TV Culture Communication Co., Ltd. (南京同秋影視文化傳播有限公司) and was responsible for sales and distribution of TV series from April 2011 to October 2014. Before that, from November 1997 to March 2011, she held various positions at Suzhou Funa Culture and Technology Co., Ltd. (蘇州福納文化科技股份有限公司), a professional media company specialised in the production and distribution of films and TV series.

Ms. Zhang obtained a bachelor's degree in administrative management from Nanjing University (南京大學) in July 2012 through online education.

Ms. Zhang has not held directorship in any other listed company in the three years immediately preceding the date of this report.

**Mr. Chen Chen (陳晨)**, aged 41, is an executive Director and the chief financial officer of the Company. Mr. Chen joined the Group in November 2014 and is primarily responsible for overseeing the financial operation and risk management and taking charge of departments of accounting, administration and government affairs of the Group.

Mr. Chen has more than 10 years of experience in financial management. Since November 2014, he has been the chief financial officer of Jiangsu Strawbear where he has accumulated knowledge and skills required in overseeing the financial management of the Group. Prior to joining the Group, Mr. Chen served as the head of financial department of Phoenix Legend Films Co., Ltd. (鳳凰傳奇影業有限公司) from September 2012 to July 2014, responsible for its accounting and financial management. From July 2009 to September 2012, he served as an accountant in the financial department of Nanjing Branch of Jiangsu Broadcasting Cable Information Network Corporation Limited (江蘇省廣電有線信息網絡股份有限公司南京分公司). Mr. Chen started his career at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所) where he was trained as an auditor from August 2007 to June 2009.

Mr. Chen obtained a bachelor's degree in financial management from Nanjing University (南京大學) in June 2004, and a master's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in January 2007. Mr. Chen was accredited as an accountant (會計師) by Nanjing Professional Title (Professional Qualification) Leading Group (南京市職稱(職業資格)工作領導小組) in March 2011 and was recognised and cultivated as one of The First Class of Nanjing High-level Accounting Talents (南京市首期高層次會計人才) by Nanjing Municipal Bureau of Finance (南京市財政局) and Beijing National Accounting Institute (北京國家會計學院) in November 2013. Mr. Chen was also recognised as one of the Distinguished Young Talents (青年創新人才) at Jiangsu Radio, Television and Network Audio-visual industry (江蘇省廣播電視和網絡視聽行業) of Year 2020. Mr. Chen is also a member of Jiangsu Provincial Television Artists Association (江蘇省電視藝術家協會) and Nanjing Film and Television Artists Association (南京市電影電視動漫藝術家協會).

Mr. Chen has not held directorship in any other listed company in the three years immediately preceding the date of this report.

## DIRECTORS (CONT'D)

### Executive Directors (cont'd)

**Ms. Zhai Fang (翟芳)**, aged 46, is an executive Director, a member of the Environmental, Social and Governance Committee, the chief operating officer and a joint company secretary of the Company. Ms. Zhai joined the Group in March 2017 and is primarily responsible for assisting in the daily operation and management and taking charge of the capital operation including investment and financing of the Group.

Ms. Zhai has more than 10 years of experience in equity investment and management. Since March 2017, she has been the chief operating officer of Jiangsu Strawbear and is responsible for capital operation including investment and financing. Prior to joining the Group, Ms. Zhai served as the vice president of strategic investment of China Allied Shengshi Culture (Beijing) Co., Ltd. (中聯盛世文化（北京）有限公司), a subsidiary of Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司) (Stock Codes: 1060.HK and S91.SGX), from January 2016 to December 2016, responsible for its strategic investment and financing. In April 2012, she joined Shanghai Fosun Capital Investment Management Co., Ltd. (上海復星創富投資管理有限公司), a leading investment firm under Fosun International Limited (復星國際有限公司) (Stock Code: 0656.HK), responsible for equity investment in consumer and entertainment sectors as assistant president and was appointed as executive general manager in April 2013. Before that, she was engaged in management work at Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司) from September 2009 to April 2012.

Ms. Zhai obtained a master's degree in financial development from Shanghai Academy of Social Sciences (上海社會科學院) in June 2008, and an executive master of business administration's degree conferred jointly by Columbia University, London Business School and The University of Hong Kong in 2017.

Ms. Zhai has not held directorship in any other listed company in the three years immediately preceding the date of this report.

### Non-executive Directors

**Mr. Wang Xiaohui (王曉暉)**, aged 55, is a non-executive Director. Mr. Wang Xiaohui joined the Group in November 2018 and is primarily responsible for providing strategic advice and making recommendations on financial management and business development to the Board.

Mr. Wang Xiaohui joined the Group in November 2018 and has been one of its Directors since then. Mr. Wang has approximately 30 years of experience in journalism and content business. Mr. Wang joined iQIYI (Stock Code: IQ. NASDAQ) in August 2016 as the chief content officer, primarily responsible for the procurement, production and operations of content business. Prior to joining iQIYI, Mr. Wang served in various positions at China National Radio (中央人民廣播電台), including the director of news comment department of news centre from March 2000 to October 2001, the director of news department of news centre from October 2001 to March 2002, the director of news program centre from March 2002 to November 2003, the deputy director of Voice of China from November 2003 to June 2006, the director of finance office from June 2006 to September 2007, and the vice president from September 2007 to June 2016.

## DIRECTORS (CONT'D)

### Non-executive Directors (cont'd)

Mr. Wang Xiaohui's expertise in journalism and content business is highly recognised nationwide, evidenced by numerous honors and awards he received, including, among others, the 11th Changjiang Taofen Award (長江韜奮獎) awarded to him by the All-China Journalists Association (中華全國新聞工作者協會) in November 2010, which is recognised as one of top journalism accolades in China.

Mr. Wang obtained his Bachelor of Arts degree from Jilin University (吉林大學) in July 1990, an EMBA degree from Cheung Kong Graduate School of Business (長江商學院) in September 2013 and a Ph.D. in radio and television journalism from the Communication University of China (中國傳媒大學) in June 2012.

As of the date of this report, Mr. Wang held directorships in certain companies engaging in producing and/or distributing drama series, including Horgos Eternity Pictures Co., Ltd. (霍爾果斯萬年影業有限公司), Beijing Huaxi Taihe Film Co., Ltd. (北京華熙泰和影視有限公司), Beijing Haidong Mingri Film Culture Communication Co., Ltd. (北京海東明日影視文化傳播有限公司), Beijing Chinese Miracle Culture Technology Co., Ltd. (北京中文奇蹟文化科技有限公司), Dongyang Liubai Film Culture Co., Ltd. (東陽留白影視文化有限公司), Hainan Huoyubai Film Culture Media Co., Ltd. (海南火羽白影視文化傳媒有限公司), Xiamen Taiyang Mingshan Film Culture Co., Ltd. (廈門泰洋明山影視文化有限公司) and Beijing Xinliliang Film Culture Co., Ltd. (北京新力量影視文化有限公司). Mr. Wang was not involved in the daily management and operation of the Company and the aforementioned companies. As such, the directorship held by Mr. Wang would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Except as disclosed above, Mr. Wang has not held directorship in any other listed company in the three years immediately preceding the date of this report.

**Ms. Liu Fan (劉帆)**, aged 37, is a non-executive Director and a member of the Audit Committee. Ms. Liu Fan joined the Group in April 2022, and is primarily responsible for providing strategic advice and making recommendations on financial management and business development to the Board.

Ms. Liu Fan joined the Group in April 2022, and has been one of its Directors since then. Ms. Liu has extensive experience in investment banking and secondary market investment and research and had held various high-level positions in well-known listed companies, investment banks and asset management institutions. Ms. Liu joined iQIYI (Stock Code: IQ. NASDAQ) in October 2020 as the general manager of development strategy and investment department, primarily responsible for the strategic planning and investment and financing of iQIYI. Prior to that, she served as a vice president at Neuberger Berman from April 2018 to March 2020, primarily responsible for the investment research of China's Internet and education industry. From July 2011 to March 2018, Ms. Liu worked at The Goldman Sachs Group, Inc. with her last position being the executive director of global investment research department, primarily responsible for the investment research of China's Internet and education industry.

Ms. Liu obtained a bachelor's degree in electronic commerce from Beijing Normal University (北京師範大學) in July 2009 and a master's degree in enterprise management from Peking University (北京大學) in July 2011. Ms. Liu has been as a chartered financial analyst by the Chartered Financial Analyst Institute since July 2015.

Except as disclosed above, Ms. Liu has not held directorship in any other listed company in the three years immediately preceding the date of this report.

## DIRECTORS (CONT'D)

### Independent Non-executive Directors

**Mr. Ma Zhongjun (馬中駿)**, aged 66, was appointed on December 18, 2020 as an independent non-executive Director, the chairman of Remuneration Committee and the chairman of Nomination Committee. Mr. Ma joined the Group in December 2020 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Ma is a first-degree state screenwriter and celebrated producer and has extensive experience in the film and television industry. Mr. Ma joined Ciwen Media Co., Ltd. (慈文傳媒股份有限公司) (Stock Code: 002343.SZ) in 2000 and has served in various portions, including the chairman of the board and general manager from September 2015 to May 2019 and the chief content officer since May 2019.

Mr. Ma's expertise in film and television industry is highly recognised nationwide, evidenced by numerous honors and awards he received, including, among others, the China Creative Industry Leader Award (中國創意產業領軍人物獎) by the sixth Annual Award of China's Creative Industry (第六屆中國創意產業年度大獎) in 2011, the Network Audio Visual Annual Content Innovation Figure Award (網絡視聽年度內容創新人物獎) by the fifth China Network Audio Visual Conference (第五屆中國網絡視聽大會) in 2017 and the "Top 10 TV Series Producers of the 12th TV Production Industry Award (第十二屆電視製片業十佳電視劇出品人)" by China Federation of Radio and Television Associations (中國廣播電影電視社會組織聯合會) in 2019. Mr. Ma is the vice chairman of Film and Television Production Committee of China Radio and Television Association (中國廣播電視協會電視製片委員會). He once studied at the advanced screenplay class jointly held by Shanghai Theatre Academy (上海戲劇學院) and Shanghai Labor Union (上海總工會).

Except as disclosed above, Mr. Ma has not held directorship in any other listed company in the three years immediately preceding the date of this report.

**Mr. Zhang Senquan (張森泉)** (formerly known as Zhang Min (**張敏**)), aged 47, was appointed on December 18, 2020 as an independent non-executive Director. He is also the chairman of the Audit Committee and a member of the Environmental, Social and Governance Committee. Mr. Zhang joined the Group in December 2020 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Zhang Senquan has over 12 years of professional experience in accounting and auditing. He worked for Ernst & Young Hua Ming (安永華明會計師事務所) from February 2008 to November 2012, last position as partner, for KPMG Huazhen (畢馬威華振會計師事務所) from November 2000 to February 2008, last position as senior manager and for Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所) from October 1999 to October 2000 as auditor.

Mr. Zhang is currently an independent non-executive director of various listed companies, including Jiande International Holdings Limited (建德國際控股有限公司) (formerly known as First Mobile Group Holdings Limited (第一電訊集團有限公司)) (Stock Code: 0865.HK) and Natural Food International Holding Limited (五谷磨房食品國際控股有限公司) (Stock Code: 1837.HK). Mr. Zhang is also the company secretary of China General Education Group Limited (中國通才教育集團有限公司) (Stock Code: 2175.HK) and Guanze Medical Information Industry (Holding) Co., Ltd. (Stock Code: 2427.HK). Mr. Zhang currently serves as the chief executive officer of Zhong Rui Capital (Hong Kong) Limited, a consultancy company and the Audit Principal of Nortex (HK) CPA Limited (諾德（香港）會計師事務所有限公司).

## DIRECTORS (CONT'D)

### Independent Non-executive Directors (cont'd)

Mr. Zhang previously served as an independent non-executive director of Sang Hing Holdings (International) Limited (生興控股(國際)有限公司) (Stock Code: 1472.HK) from January 29, 2020 to April 30, 2023, of Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司) (Stock Code: 6188.HK) from June 2018 to June 2021, of Bonny International Holding Limited (博尼國際控股有限公司) (Stock Code: 1906.HK) from March 2019 to June 2020 and of Casablanca Group Limited (卡撒天嬌集團有限公司) (Stock Code: 2223.HK) from April 2015 to April 2018, and served as an independent director of Top Choice Medical Investment Co., Inc. (通策醫療投資股份有限公司) (Stock Code: 600763.SH) from December 2014 to February 2017, and served as an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司) (Stock Code: 688488.SH) from May 2019 to March 2022. He served as the head of the strategic development department of Goodbaby International Holdings Limited (好孩子國際控股有限公司) (Stock Code: 1086.HK) from March 2013 to April 2014, and served as a joint company secretary and the chief financial officer of Huazhong In-Vehicle Holdings Company Limited (華眾車載控股有限公司) (Stock Code: 6830.HK) from May 2014 to July 2015. Mr. Zhang also served as a managing director in Southwest Securities (HK) Brokerage Limited (西證(香港)證券經紀有限公司), a subsidiary of Southwest Securities International Securities Limited (西證國際證券股份有限公司) (Stock Code: 0812.HK) from February 2016 to March 2020.

Mr. Zhang obtained a bachelor's degree in economics from Fudan University (復旦大學) in July 1999. Mr. Zhang was admitted as a member of the Chinese Institute of Certified Public Accountants in December 2001, admitted as a member of the Hong Kong Institute of Certified Public Accountants in September 2011 and further admitted as a member of the American Institute of Certified Public Accountants in September 2015.

Except as disclosed above, Mr. Zhang has not held directorship in any other listed company in the three years immediately preceding the date of this report.

**Mr. Chung Chong Sun (鍾創新)**, aged 48, was appointed on December 18, 2020 as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chung joined the Group in December 2020 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Chung has over 20 years of professional experience in financing and capital operations. He is the founder of Resourceful Minds Limited (滙路有限公司), a consulting company, and has been its director since its incorporation in September 2018, where he has been primarily responsible for the daily operations and providing strategic advice. From September 2018 to July 2019, he served as the chief financial officer of Xiaoi Robot Technology (H.K.) Limited. From December 2005 to September 2018, Mr. Chung worked at Hong Kong Exchanges and Clearing Limited with his last position being the senior vice president of its issuer services department, primarily responsible for establishing the ecosystem for the listing of mainland enterprises in Hong Kong, including, among others, mainland client relationship management and mainland marketing. From August 2003 to December 2005, Mr. Chung worked at mainland investment promotion unit in InvestHK of the government of Hong Kong with his last position being the manager of such unit, primarily responsible for introducing Hong Kong to overseas and Mainland entrepreneurs. From August 2001 to August 2003, Mr. Chung worked at Cooperative Rabobank U.A. Hong Kong Branch, a Dutch multinational bank with global operations, with his last position being the associate director of its merger and acquisition department. From May 2000 to July 2001, Mr. Chung worked as a senior executive in Deloitte & Touche Corporate Finance Limited (德勤企業財務顧問有限公司), where he was primarily responsible for execution of mergers and acquisitions projects and providing financial advice. From July 1997 to May 2000, Mr. Chung worked at Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司) with his last position being the associate of its investment banking department.

## DIRECTORS (CONT'D)

### Independent Non-executive Directors (cont'd)

Mr. Chung is currently an independent non-executive director of Zhong An Intelligent Living Service Limited (眾安智慧生活服務有限公司) (Stock code: 2271.HK) and Radiance Holdings (Group) Company Limited (金輝控股(集團)有限公司) (Stock Code: 9993.HK).

Mr. Chung obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in May 1997. He is also a member of the American Institute of Certified Public Accountants and a CFA of CFA Institute.

Except as disclosed above, Mr. Chung has not held directorship in any other listed company in the three years immediately preceding the date of this report.

## SENIOR MANAGEMENT

**Mr. Liu Xiaofeng (劉小楓)**, aged 46, is the chief executive officer, the Chairman and an executive Director. For details of his biography, please see "– Directors – Executive Directors."

**Ms. Zhang Qiuchen (張秋晨)**, aged 46, was the chief marketing officer and an executive Director. Ms. Zhang resigned as an executive Director and the chief marketing officer of the Group on May 4, 2023. For details of her biography, please see "– Directors – Executive Directors."

**Mr. Chen Chen (陳晨)**, aged 41, is the chief financial officer and an executive Director. For details of his biography, please see "– Directors – Executive Directors."

**Ms. Zhai Fang (翟芳)**, aged 46, is the chief operating officer and an executive Director. For details of her biography, please see "– Directors – Executive Directors."

## JOINT COMPANY SECRETARIES

**Ms. Zhai Fang (翟芳)**, see "– Directors – Executive Directors."

**Ms. Zhang Xiao (張瀟)**, aged 36, is a joint company secretary of the Company.

Ms. Zhang is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. She has over ten years of experience in the company secretarial field. She obtained a Bachelor's Degree in Computer Science from The Chinese University of Hong Kong in 2010 and a Master's Degree in Corporate Governance from Hong Kong Metropolitan University in 2018. She is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1 ABOUT THIS REPORT

### 1.1 Report Overview

This is the fourth Environmental, Social and Governance ("ESG") Report (this "Report") of the Strawbear Entertainment Group (the "Company"). It provides a comprehensive overview of the Company's management policy and performance with respect to ESG in 2023. In particular, corporate governance practices are recommended to be read in conjunction with the section headed "Corporate Governance Report" in the annual report.

In the preparation of this Report, the Company uses best efforts to ensure the information covered herein follow the reporting principles of the Stock Exchange in terms of materiality, quantitative, balance and consistency. The Company will continue to strengthen its collection of reporting information to enhance the Company's performance and disclosure on sustainability issues.

### 1.2 Scope of the Report

The policy documents, statements and statistics contained in this Report cover the Company and its subsidiaries and consolidated affiliated entities for the relevant period and their scope is consistent with that of the annual report of the Company. The timeframe of this Report covers work performed between January 1, 2023 and December 31, 2023 (the "Reporting Period"), whilst some of the descriptions extend beyond the above period for the purposes of completeness and continuity of explanation.

### 1.3 Basis of Preparation

This Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set forth under Appendix C2 of the Listing Rules of Hong Kong Stock Exchange, with reference to the Sustainable Development Goals ("SDGs") of the United Nations.

### 1.4 Statement of Data Sources and Reliability

All data in this Report is extracted from the Company's statistical reports and relevant documents. The Company undertakes that this Report does not contain any false information or misleading statement, and accepts liability for the veracity, accuracy and completeness of the contents of this Report.

The Board of Directors, its Environmental, Social and Governance Committee and the senior management team of the Company monitor the contents of this Report to ensure that it is free from any false information, misleading statements or material omissions.

This Report was approved for publication by the Board of Directors on March 25, 2024.

### 1.5 Response to the ESG Reporting Principles of the Stock Exchange

**Materiality:** In line with relevant regulatory requirements such as the ESG Reporting Guide and with reference to the key issues of peers, the Company communicated with various stakeholders by different means and, having taking into account the Company's strengths and characteristics, assessed the materiality of ESG related issues to conclude with the material issues of the Company. These issues have been reviewed and confirmed by the Board of Directors and have served as an important direction for disclosure in the preparation of this Report.

**Quantitative:** The Company has developed ESG indicator management tools that cover all departments, and has not only conducted regular statistics on the quantitative key disclosure indicators under the ESG Reporting Guide, which are summarized and disclosed at the end of the year, but has also compiled an ESG performance list that can be assessed and verified.

**Balance:** The contents of this Report endeavor to give an accurate and objective picture on each issue, and a fair view of the Company's ESG management measures and performance during the Reporting Period, so as to ensure the contents are balanced and allow stakeholders to reasonably assess the Company's overall performance.

**Consistency:** Compared with the annual report of the Company, this Report made no significant adjustment to the scope of disclosure and used the same standards and methods in calculating the qualitative key indicators to ensure both reports are comparable. Any changes to the relevant assumptions or calculation methods are expressly disclosed to inform stakeholders.

## 2 BOARD STATEMENT

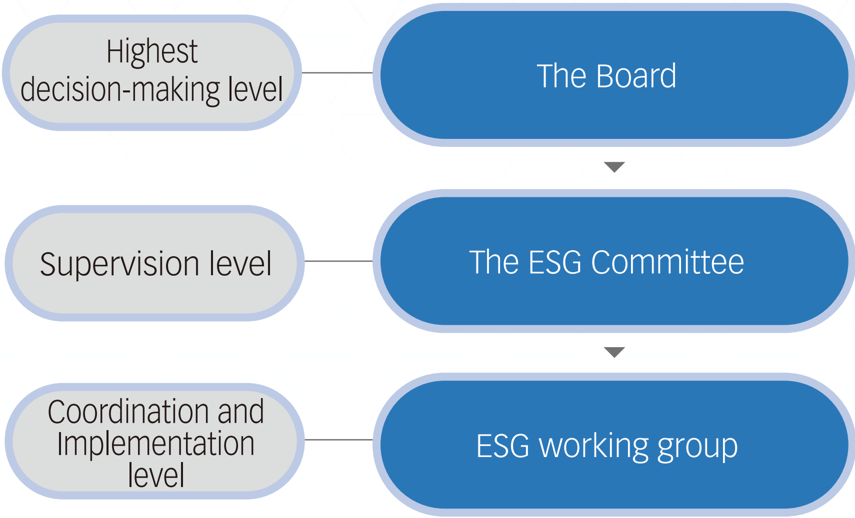
The Board attaches great importance to the Company's sustainability performance. As the highest responsible body for the management and public disclosure of the ESG issues of the Company, the Board plays the primary role of leadership and supervision, and assumes full responsibility. The Board is committed to integrating guiding principles for ESG into the strategy and operations of the Company and continuously reviewing its effectiveness to meet the everchanging business needs arising from climate change, technological advances and rising operating costs. The Company also continues to raise the awareness of its employees on the importance of implementing ESG in the strategy and operations through various means. To manage the Company's ESG performance and identify potential risks, and to assist the Board in its ESG works, the Company has established the Environmental, Social and Governance Committee (the "ESG Committee"), and has set up the Environmental, Social and Governance working group (the "ESG working group") under the ESG Committee.

The Company highly values the expectations and demands of all stakeholders. By actively expanding the communication channels with stakeholders, the Company strengthens communication with internal and external stakeholders, identifies and assesses important ESG issues through interviews and surveys, discusses and reviews the results of the assessments at board meetings, and makes disclosures under the sections of "Communication with Stakeholders" and "Materiality Assessment" in this Report. The Board discusses and determines the Company's risks and opportunities in ESG-related issues and makes decisions on important ESG management work and projects for the year based on the external macro environment, the development trend of the industry and the Company's strategic plan. During the Reporting Period, the Company identified the initiatives and the effectiveness of such initiatives in such areas as employees' interests, business operation, intellectual property protection, supply chain management, business ethnics and community investment. At the same time, the Company actively responded to the China's strategy of carbon peaking and neutrality by constantly refining its low-carbon environmental measures after taking into account the characteristics of the industry and the Company. In the future, the Company will continue to put the realization of sustainable development as the goal of the Company, encourage staff and stakeholders to give the Company advice and suggestions on the ESG construction, continue to monitor and review the enforceability and rationality of the goals and strategies, and adjust priorities for sustainable development actions based on domestic and international trends, to put more comprehensive, integral and systematic efforts into the ESG issues of the Company and, hand in hand, realize sustainable development in economy, society and environment.

## 3 ESG MANAGEMENT

### 3.1 ESG Management Structure

The Company adopts a top-down management approach to ESG matters. The Company established its ESG governance system in March 2022 as a three-tier governance structure consisting of the Board, the ESG Committee and ESG working group.




The Board, comprising 3 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors, is the supreme decision-making body for ESG-related issues of the Company and bears overall responsibility for the Company's ESG policies, initiatives and effectiveness. The Board is responsible for providing guidelines for the management and supervision of ESG-related issues.

The ESG Committee consists of 2 executive Directors and 1 independent non-executive Director, being Mr. Liu Xiaofeng (chairman of the ESG Committee), Ms. Zhai Fang and Mr. Zhang Senquan. The ESG Committee was established under the approval of the Board with principal duties including (i) guiding and formulating the Company's ESG vision, objectives, strategies and structure to ensure that they are in line with the needs of the Company and comply with applicable laws, regulations, regulatory requirements and international standards; (ii) monitoring the development and implementation of the Company's ESG vision, strategies and structure; (iii) guiding and reviewing the identification and ranking of material ESG issues of the Company; (iv) reviewing the key ESG trends and related risks and opportunities, and assessing the adequacy and effectiveness of the Company's ESG structure accordingly; (v) monitoring the channels and means of communication with the Company's stakeholders and ensuring the implementation of relevant policies so as to effectively promote the relationship between the Company and its stakeholders and protect the Company's reputation; (vi) reviewing the Company's ESG report and other ESG related disclosures, and making recommendations to the Board in order to maintain the integrity of the ESG report and other ESG-related disclosure of the Company; and (vii) ensuring that the Company's ESG report is prepared in accordance with the ESG Reporting Guide set out in Appendix C2 to the Listing Rules.

ESG working group is consisted of heads of relevant functional departments and is mainly responsible for the formulation, implementation, execution and supervision of the Company's ESG-related goals and work, as well as the co-ordination of all relevant departments and the implementation of specific ESG projects, so as to ensure that each ESG issue is handled. Meanwhile, the ESG working group regularly conducts objective assessments of the results and effectiveness of the Company's ESG work and reports to the ESG Committee.

### 3.2 Guiding Principles for ESG Management

The Company attaches great importance to the organic integration of its guiding principles for ESG with its operation and development, constantly improves its ESG management practices and puts focus on the business structure of the Company's platform operation model. It aims at, by building an innovative, energetic and sustainable ecology which efficiently connects each stage of content production, achieving target-specific customization and delivery of its content products based on the strength of its deep understanding of the user profiles in various platforms and the rapid matching of the resources with the creative teams. In addition, as a high-quality content producer and distributor in the industry, the Company fully acknowledges that the on-going optimization of its green and low-carbon operation model and more pro-active response to climate change are important parts of sustainable development. Therefore, the Company has integrated the guiding principles for ESG management with its overall strategy, management philosophy and business plan so as to form a standardized and disciplined management system.

The Company continues to enhance its ESG practices and strengthen ESG data disclosure and has formulated the following ESG management strategies by taking into account the corporate development strategy, current status of ESG development and the foundation laid by its previous efforts:

- continuously exploring and enhancing the green and low-carbon operation model, taking into account the operation rules and regulations, staff interests, the Company's operation needs and other elements, considering deeply about and implementing the green concept, actively promoting the idea of eco-commuting, eco-office and eco-filming, creating effective means, using innovative tools, improving the production of drama series and production efficiency by way of green industrial production, and reducing negative impact on the environment caused by each production stage in its business operation;

- Insisting on the innovation of contents production and the application of AIGC technology, creating "green film list" that is in line with the ESG guiding principles: at the creative stage of the project, the Company conducts in-depth communications with high-quality partners in the industry to deeply integrate the ESG concept with the theme and genre of the content of films and drama series, so as to create excellent works with positive energy; at the stage of incubation and production of film and television projects, the Company, as a content producer, actively and adequately fulfills its responsibilities to convey the correct value concept to the public through production practices that incorporate ESG guiding principles;

- building a fair, clean, honest, win-win and sustainable supply chain management system, improving the supplier evaluation system, and strengthening the dynamic management on supplier qualification and performance, so as to effectively reduce risks in the supply chain; establishing an ecologically closed-loop content production link with the Company as the core and increasing the influence of the Company on sustainable development;

- strengthening the prevention and control practices against compliance risks and public opinion crises, and building a corporate culture of clean, integrity, upright and honesty;

- establishing a sound system to protect employees' rights and welfare, and a diversified and inclusive employees development system to achieve a harmonious and win-win employer-employee relationship;

- attaching great importance to exchanges and co-operation with outstanding partners in the industry, upholding the principle of "cultural confidence and cultural innovation", actively promoting traditional Chinese culture, and jointly exploring the way to "go global"; and

- fulfilling its original commitments of giving back to the society, performing its corporate social responsibility, actively participating in social welfare activities, and building a mutually beneficial, harmonious, stable and sustainable relationship between the Company and the community to make more contributions to sustainable development.

## 3.3 ESG Brand Image Building

The Company, as a content enterprise, has been devoting efforts to explore ways to better practice the national objectives and requirements on "carbon peaking and neutrality" and ESG, and is committed to becoming an advocator, practitioner and promoter of ESG-related standards in the content field, hoping to deliver ESG philosophy to the industry and the public through its content. To this end, the Company launched a green film list brand "SEG" exclusively for "ESG" during the Reporting Period, with "S" standing for "SEED", "E" standing for "ENERGY" and "G" standing for "GROWTH". In addition, "SEG" is also the abbreviation of "Strawbear Entertainment Group", the Company's English name, which conveys the ESG guiding principles of exploring and implementing brands in the content field. The LOGO design of the green film list brand also incorporates the ESG guiding principles to convey the values of motivation, openness and inclusiveness. The background of the LOGO consists of a gradation from blue to green, with green representing vibrancy and blue symbolizing ecological sustainability. The gradation also demonstrates the Company's adherence to the objective rules and practice principles of sustainable development, while the letter "G" stands for growing new shoots, implying that ESG has just embarked on its joyful journey in the content industry.


Picture: Strawbear's SEG Logo


Picture: Green Film List
*Hello Beautiful Life* (《心想事成》)


Picture: Green Film List
*Never Give Up* (《今日宜加油》)


Picture: Green Film List
*Never Too Late* (《我的助理不簡單》)

## 3.4 Risk and Crisis Management

The Company has established a comprehensive risk management and control system, which provides an important guarantee for the Company to achieve its strategic and operational objectives. The Company has established a risk management organization structure comprising of the Board, the Audit Committee, the Securities Investment and Financing Affairs Department and other functional departments. The Board is responsible for establishing and maintaining an appropriate and effective risk management and internal control system; the Audit Committee is responsible for reviewing the Company's construction, implementation and supervision in risk management and internal control and reviews their effectiveness; the Securities Investment and Financing Affairs Department is responsible for organizing and carrying out various types of risk assessments of the Company to assist the Audit Committee and the Board in making decisions; and other functional departments carry out self-assessment of risks under unified coordination, and review the risk level and the effectiveness of countermeasures on a regular basis, so as to manage all aspects of potential risks of the Company and timely improve the risk response strategy.

During the Reporting Period, the Company formulated the Risk Management System (《風險管理制度》), which clarified the basic risk management process, so as to identify and monitor the Company's potential risks and their probability of occurrence in a timely manner, and take necessary prevention and control measures in advance or take compensatory measures to reduce risk losses.


Picture: Basic Risk Management Process of the Company

### *3.4.1 ESG Risk Management*

The Company has also taken consideration of ESG risks (including climate risk) in its risk management framework to incorporate sustainability elements into its business operations and adapt to the increasingly stringent requirements in these areas. The Company's ESG working group regularly reports to the Board of Directors and the ESG Committee on ESG trends and related risks and opportunities, and provides corresponding advices for ongoing oversight. During the Reporting Period, the Company conducted a comprehensive ESG risk identification covering certain risk scopes such as finance, operation, policy, product quality, information security, brand reputation and compliance, assessed the probability of occurrence and the degree of impact of these risks in detail, convened discussion and exchange sessions on safe production and operation, and formulated corresponding risk response measures in combination with the work plan.

In accordance with the recommendations of the Task Force on Climate-Related Financial Disclosure (the "TCFD"), the Company has also conducted a comprehensive mapping of the its exposure to physical risks and transition risks associated with climate change, and to formulate countermeasures for the identified key risks in order to enhance the Company's resilience to climate change. These contents are referred to the "A4 Climate Change" section in this report.

During the Reporting Period, the Company did not experience any ESG crisis events.

### *3.4.2 Crisis and Public Opinion Management*

In order to prevent all kinds of potential crises and respond to all kinds of emergencies, the Company has established a crisis and public opinion management system, committing to improving its crisis management capability in all respects. The Company has engaged a professional third-party consultant to manage public opinion on a daily basis, with the Public Opinion Information Monitor Specialist being responsible for monitoring public opinion, assessing the level of public opinion alert when negative public opinion is found and reporting it to the relevant departments. The Company properly deals with public opinion according to the notification results of negative public opinion information. In addition, the Company has clearly defined the detailed procedures for crisis response. For public opinion or corporate crisis with a large negative impact, the Company sets up a crisis response team at once, formulates a detailed crisis response plan and takes actions to protect the Company's social image and ensure the sustainable development of its business. During the Reporting Period, the Company did not experience any major crisis or negative public opinion.

## 3.5 Social Honors

During the Reporting Period, the Company was awarded various rewards in recognition of its ESG management system construction, green industrial production, excellent drama series works, social welfare and other outstanding performance. In July 2023, the Company was honored as one of the enterprises in "The 5th-year Top 30 Private Cultural Enterprises in Jiangsu Province (第五屆江蘇民營文化企業30強)"; in October 2023, the Company was a finalist in "Good Enterprises List (向善企業名錄)" in the 2023 For Good Awards; and in January 2024, the Company was honored as a "2023 ESG Pioneer Enterprise (2023年度ESG先鋒企業)" and a "Top 10 Drama Series Company of the Decade (十年十佳劇集公司)" in the Golden Puffer Award (金河豚獎).


Photo: 2023 ESG Pioneer Enterprise


Photo: Top 30 Private Cultural Enterprises in Jiangsu Province


Photo: Top 10 Drama Series Company of the Decade


Photo: Certificate of Good Enterprises List

## 4 ACTIVELY SUPPORTING SDGS

The aims of SDGs are to provide guidelines to the countries around the world in order to address the issues arising from their development in three major areas, namely economy, society and environment, and encourage all parties, including enterprises, to actively contribute their own efforts to achieve sustainable development. Based on its own business characteristics, the Company has identified a series of priorities within the SDGs framework that are most important for the corporate development and has integrated them with its guideline principles for ESG, serving as a guideline for the Company's ESG work.


Picture: The 17 SDGs of the United Nations

While actively growing the business, the Company actively seeks to realize the aligned development of its business value and social value, and has identified 10 SDGs and major areas related to the Company's business and taken a series of measures as follows.

| SDGs related to the Company's business | Goal description | The Company's actions in 2023 |
|---|---|---|
| 3 Good health and well-being | Ensure healthy lives and promote well-being for all at all ages | • The Company concerns the physical and mental health as well as the safety of its employees, and provides them with such protections as social insurance (covering, among others, work injury, maternity, pension, unemployment and medical care) and supplementary medical insurance. It also arranges psychological counseling courses and annual physical examinations for the employees<br>• It has designated a fitness and a meditation area in the office, and holds regular fun sports games for the employees and outward bound training, gatherings and team building as well as industry exchange meetings so as to create a healthy and safe work environment |

| SDGs related to the Company's business | Goal description | The Company's actions in 2023 |
|---|---|---|
| 4 Quality education | Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all | • The Company provides its employees with on-the-job training programs which focus on their career capability development<br>• It organizes regular tea gatherings with industry experts to keep employees abreast of information and development trends in the cultural and entertainment industry<br>• It promotes lifelong learning and encourages and supports its employees to participate in external training programs for capacity building such as certificate and grades examinations |
| 5 Gender equality | Achieve gender equality and empower all women and girls | • The Company conforms to the concept of gender diversity, firmly opposes gender discrimination, provides equal opportunities for female employees, and designs cultivation courses on the theme of female growth, so as to inject female force into the construction of the Company<br>• As of December 31, 2023, 25.0% of the Board members are female, and the Company will continue to commit to lifting the proportion of female members<br>• As of December 31, 2023, 59.2% of the Company's staff are female, and the Company remains committed to maintaining a high level of female representation in its workforce in the future |
| 8 Decent work and economic growth | Ensure decent work for all to promote regional economic growth | • The Company advocates promoting righteousness by entertainment, promotes the common growth of its partners in all production segments of the cultural and entertainment industry with its platform operation model, supports economic development and provides more decent job opportunities for society<br>• It protects the legitimate rights and interests of its employees, keeps improving its talent management system, and provides competitive remuneration packages and reasonable fringe benefits<br>• It encourages its employees to pursue balance between life and work |

| SDGs related to the Company's business | Goal description | The Company's actions in 2023 |
|---|---|---|
| 9 Industries, innovation and infrastructure | Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation | • The Company has innovated a platform operation model which stimulates the vitality in every aspect of content production<br>• It has set up a "green film list" to continuously explore the integrated applications of AIGC, green production, and ESG guiding principles in content production<br>• It encourages creative content and seeks product matrices with diversified segments for multiple target circles and tiers<br>• It promotes the pan-cultural and entertainment industry layout that focuses on quality IPs and explores the value transformation of offline IPs<br>• It actively expands the supply chain finance model for the cultural and entertainment industry<br>• It constantly improves its customer structure, expands business cooperation model and distribution channels with the broadcasting platforms, and innovates distribution methods |
| 10 Reduced inequality | Reduce inequality within and among countries | • The Company provides a more transparent and equitable career path and an internal promotion system for all employees<br>• It encourages its employees to actively participate in public welfare activities and cares for the lives of women and children, and people with disabilities |
| 12 Responsible consumption and production | Ensure sustainable consumption and production patterns | • The Company encourages green commuting, green office and green production and focuses on environmental protection and resource recycling in the film site<br>• It practices responsible product content promotion and protects customer privacy<br>• It has improved its communication mechanism with customers to collect feedback<br>• It has established a sustainable supply chain management system |

| SDGs related to the Company's business | Goal description | The Company's actions in 2023 |
|---|---|---|
| 13 Climate action | Take urgent action to combat climate change and its impacts | • The Company actively promotes the concept of low-carbon environmental development<br>• It supports China's strategy of carbon peaking and neutrality target and has formulated scientific carbon reduction measures<br>• It identifies climate change risks and develops preventive measures having considered the level of impacts to cope with climate risks |
| 16 Peace, justice and strong institutions | Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels | • The Company has created a corporate culture of integrity, honesty and fairness<br>• It operates in compliance with regulations and with integrity<br>• It organizes regular internal training on legal knowledge to provide updates on latest laws and regulations as well as peer cases to raise employees' legal awareness |
| 17 Partnerships for the goals | Strengthen the means of implementation and revitalize the global partnership for sustainable development | • The Company promotes communications and cooperation among industry peers, continues to put efforts on building the community for outstanding talents and artists and strengthen the training of emerging producers<br>• It continuously strengthens its supply chain management so as to promote win-win and sustainable supplier partnerships |

## 5 COMMUNICATION WITH STAKEHOLDERS

The Company greatly values the participation of stakeholders and is committed to building good cooperation and mutually beneficial relationships with internal and external stakeholders. By actively establishing and expanding communication channels, the Company maintains regular and close communication with government and regulators, shareholders and investors, customers, employees, suppliers, partners, the general public and other stakeholders, and listens and responds to the reasonable expectations and requirements of different stakeholders, and integrates them into the Company's daily operations and future planning, achieving a win-win situation and maximize comprehensive value with stakeholders.

| Stakeholders | Expectations and requirements | Communications and response |
|---|---|---|
| Government and regulators | • Compliance with laws and regulations<br>• Paying tax in compliance with law<br>• Compliance operation<br>• Business ethnics<br>• Support economic development | • Compliance management<br>• Daily communication and reporting<br>• Full payment of tax<br>• Industrial production of quality drama series |
| Shareholders and investors | • Financial results<br>• Regulated corporate governance<br>• Business development<br>• Information disclosure<br>• Communication channels | • Regular disclosure of financial and operational information<br>• General meetings<br>• Corporate website and investor relations emails<br>• Non-trading roadshow |
| Customers | • Quality of service<br>• Product quality<br>• Satisfaction of diverse demands of customers<br>• Feedback channels | • Product innovation and upgrade<br>• Responsible promotion<br>• Customer information and privacy protection<br>• Provision of tailored content services and exploration of new ideas through collaboration |
| Employees | • Protection of employees' rights and interests<br>• Career development platform<br>• Protection of occupational health<br>• Work-life balance | • Formulation and updating from time to time of the Staff Manual<br>• Caring leave system<br>• Well-established rules for promotion and career development<br>• Competitive remuneration and benefits<br>• Continuous optimization of staff training system<br>• Team building and public welfare activities |

| Stakeholders | Expectations and requirements | Communications and response |
|---|---|---|
| Suppliers and partners | • Cooperation with integrity<br>• Information sharing<br>• Win-win cooperation<br>• Business ethnics and credibility | • Supplier selection system<br>• Promotion of daily communication<br>• Implementation of project cooperation<br>• Performance of obligations under agreements in accordance with the law, and supplier evaluation<br>• Special internal control and risk management |
| Society and the public | • Support of social welfare activities<br>• Participation in community development<br>• Protection of natural environment | • Engagement in charitable causes<br>• Volunteer services<br>• Promotion of resource and energy efficiency<br>• Promotion of positive values to the public through its content products |

## 6 MATERIALITY ASSESSMENT

In order to accurately identify the focus of ESG management practice and fully optimize the practice of ESG issue-based management, the Company established an assessment process for material issues to define material ESG issues that are relevant to the sustainable development of the Company and stakeholders.

**Identification of material issues**

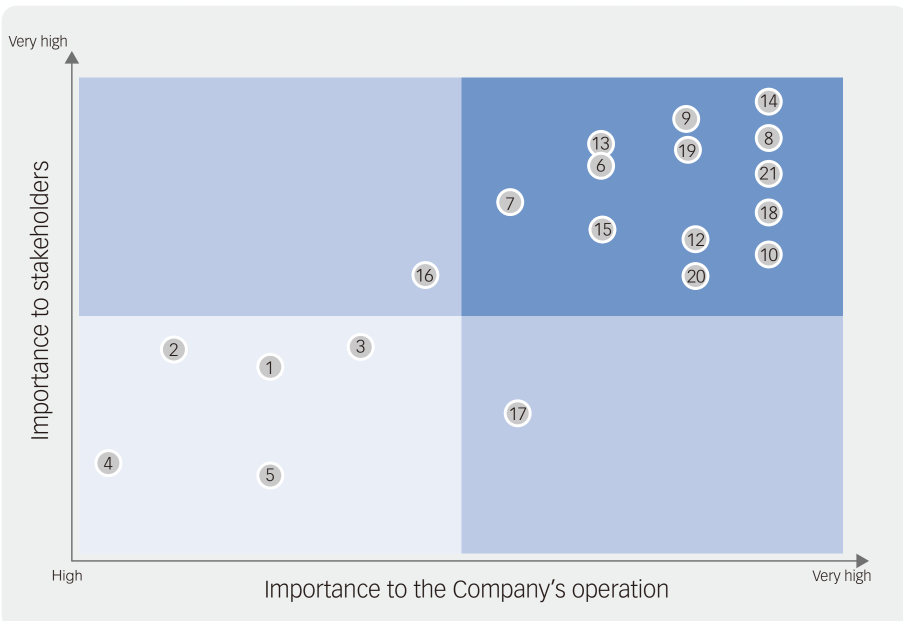
By conducting external policy research, benchmarking analysis of industry peers, industry development trend survey, reviewing other relevant documents and combining the Company's development strategy, its business features and its own characteristics, a total of 21 material issues which would pose impact on the Company's operations and development or affect the stakeholders' assessment and decision-making of the Company were identified.

**Conducting interview and market research**

Third party experts and consultants were engaged to take charge in relevant work, prepare and distribute questionnaires on material ESG issues with reference to the interviews with the Company's management and other stakeholders, and make comparison with the comparable companies in the same industry for the ESG performance benchmarking.

| | |
|---|---|
| **Determination of the priority of issues** | The priority of issues was identified based on the stakeholders' comments and the data collected from the questionnaires. After being submitted to the Board for review, such priority of issues for the year was determined. |
| **Verification and reporting** | A materiality assessment matrix was established based on the results of the issue evaluation and highlighted disclosure on issues that fall into the core issues matrix was made in the report. |

During the Reporting Period, the Company reviewed and assessed the ESG issues of concern to each stakeholder and analyzed and sorted the importance of ESG issues from two dimensions, being the materiality to the Company's operation and to the stakeholders, through policy research, enterprise interview, questionnaires and industry benchmarking to get full understanding of each stakeholder' expectations and suggestions, and to provide basis for the formulation of long-term ESG strategy. In 2023, the Company identified fourteen issues of high importance, two of moderate importance and five of low importance in total.




Picture: Material issues matrix in 2023

| Materiality | No. | Issue name |
|---|---|---|
| Issue of high importance | 14 | Intellectual Property Protection |
| | 8 | Information Security and Privacy Protection |
| | 21 | Compliance Operation |
| | 9 | Product and Service Quality |
| | 18 | Cultivation of Anti-corruption and Integrity Culture |
| | 11 | Employees' Health and Safety |
| | 10 | Protection of Employees' Interests |
| | 19 | Business Ethnics |
| | 13 | Legal and Compliance Employment |
| | 6 | Diversity of Film and Television Audience |
| | 12 | Employees Training and Development |
| | 20 | Risk and Crisis Management |
| | 15 | Supply Chain Management |
| | 7 | Innovation in Content and Form and Technology |
| Issue of moderate importance | 16 | Communication with Stakeholders |
| | 17 | Community Investment and Public Welfare |
| Issue of low importance | 3 | Energy Management |
| | 2 | Waste Management |
| | 1 | Water Resources Management |
| | 5 | Greenhouse Gas (GHG) Emissions Management |
| | 4 | Climate Change Adaptation |

## 7 A ENVIRONMENTAL RESPONSIBILITY

The Company always insists on the concept of green development, actively responds to the call for building a resource-saving and environment-friendly society. Despite operating in the film and television industry which is neither a pollutants emitter nor a large consumer of energy and resources, the Company takes an active role in integrating green strategies into its daily operations. The Company formulates the Low Carbon Business and Operation Policy (《低碳業務與運營政策》), continuously improves environmental management capabilities, escalates commitment to environmental protection, implements energy-saving and consumption reduction requirements, vigorously carries out education on environmental awareness and puts it into consistent action, minimizes the negative impact on the ecological environment, and contributes to the construction of ecological civilization.

The Company has established four environmental objectives in terms of emission reduction, energy saving, water saving and waste reduction, based on its own actual business and future development plan, taking into account the external policy directions and industry development trends, and clearly defined the path and key actions of achievement. During the Reporting Period, the Company made every effort to push forward with relevant actions and measures, while actively listening to opinions and feedbacks from employees, partners and other stakeholders on environmental protection issues, and continued to follow up on the progress of targets.

| Carbon emission | Energy usage | Water efficiency | Waste reduction |
|---|---|---|---|
| Objective:<br>• Establishing a carbon emission management system to reduce carbon emissions | Objective:<br>• Strengthening energy consumption management, reducing energy waste, and improving energy use efficiency | Objective:<br>• Setting reasonable water consumption indicators and improving water efficiency | Objective:<br>• Optimizing waste management levels and reducing waste emissions |
| Key Actions in 2023<br>• Improving environmental management and carbon emission data collection process of the Company's operations and promoting the collection of data on emission reduction by employees and carbon emission by the filming crew<br>• Arousing employees' awareness to reduce carbon footprint and encouraging employees to adopt a low-carbon lifestyle<br>• Encouraging online meetings to reduce unnecessary travel and motivating the practice of low carbon travel<br>• Increasing the use of renewable energy and new energy in filming<br>• Introducing the system for flexible clock-in and working from home regularly | Key Actions in 2023<br>• By using filming technologies such as re-use of the filming bases, the studios and digital asset libraries in the filming process to replace actual set decoration, so as to reduce resources waste while ensuring the quality of the drama series filming<br>• Strengthening employees' energy saving awareness<br>• Promoting turning off lights when leaving office, saving electricity and posting energy-saving signs | Key Actions in 2023<br>• Strengthening employees' water conservation awareness<br>• Promoting water conservation and posting water-saving signs<br>• Checking regularly the water pipes, taps and other water supply facilities, and reporting any leakage to the property manager and other operation and maintenance units for repair to avoid wastage | Key Actions in 2023<br>• Promoting a paperless office and formulating scenario guidelines on reasonable use of paper<br>• Strengthening waste classification and improving waste disposal management<br>• Focusing on waste management and material recycling on the filming site<br>• Strictly controlling the use of plastic bottled water in meetings<br>• Reducing the use of the disposables<br>• Strengthening employees' waste reduction awareness<br>• Setting up recycling box for used clothes, books, computers and other waste for recycling and encouraging employees to participate in this practice |

### 7.1 A1 Emissions

The Company does not involve sewage and exhaust emission in the operational process. Waste is only generated during office hours, which mainly includes office waste, domestic waste and food waste. The Company strictly complies with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and other laws and regulations, actively reduces various types of waste generated in its operations. The Company proactively follows the national policy of waste sorting by setting up separate bins in its office area and appointing dedicated personnel for cleaning up the filming sites, and effectively manages various types of waste to ensure proper disposal. During the Reporting Period, the Company did not violate the above-mentioned laws and regulations.

**Table: Waste Generation in 2023**

| Indicator | | Unit | 2023 |
|---|---|---|---|
| Total hazardous waste generation | | Tonnes | 0.018 |
| Hazardous waste generation intensity | | Tonnes/RMB million revenue | 0.00002 |
| Hazardous waste by category | Used toner cartridges | Tonnes | 0.002 |
| | Used batteries | Tonnes | 0.006 |
| | Used ink cartridges | Tonnes | 0.01 |
| | Other electronic waste (not recyclable), including, among others, computers and printers | Tonnes | 0 |
| Total non-hazardous waste generation | | Tonnes | 4.02 |
| Non-hazardous waste generation intensity | | Tonnes/RMB million revenue | 0.00479 |
| Non-hazardous waste by category | Office paper | Tonnes | 0.3 |
| | Domestic waste | Tonnes | 2.22 |
| | Food waste | Tonnes | 1.5 |

Photo: Separate bins in the office area

In order to effectively reduce the GHG emissions generated during the Company's operations, the Company encourages employees and crew members to commute in public transport by setting up a work attendance checking system to incentivize employees in practicing green travel. During the shooting, the production director and assistant producers would make a unified travel plan according to the daily filming needs, preferring the use of new energy vehicles. The Company keeps timely maintenance for official vehicles to ensure their normal operation and reduce gas exhaustion. In addition, the Company uses low-carbon and green methods such as in-studio filming and computer special effects during drama series filming and production process, in a bid to replace part of the set decoration and the filming of explosion scenes. Special effect production technologies, such as virtual filming and panoramic scanning, are employed on the filming sites to reduce the pollution from scene setting and GHG emissions while ensuring the quality of filming.

**Table: GHG emissions in 2023**

| Indicator | | Unit | 2023 |
|---|---|---|---|
| Scope 1: | Direct GHG emissions[1] | $tCO_2e$ | 17.03 |
| | Intensity of direct GHG emissions | $tCO_2e$/RMB million revenue | 0.020 |
| Scope 2: | Indirect GHG emissions[2] | $tCO_2e$ | 17.98 |
| | Intensity of indirect GHG emissions | $tCO_2e$/RMB million revenue | 0.021 |
| | Total GHG emissions | $tCO_2e$ | 35.01 |
| | Intensity of total GHG emissions | $tCO_2e$/RMB million revenue | 0.042 |

1 Direct (Scope 1) GHG emissions are calculated based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Refinement) (《IPCC 2006年國家溫室氣體清單指南2019修訂版》) issued by the Intergovernmental Panel on Climate Change (IPCC).

2 Indirect (Scope 2) GHG emissions are calculated based on the Notice on Proper Management of Greenhouse Gas Emission Reporting for Enterprises in the Power Generation Sector for the Period from 2023 to 2025 (《關於做好2023–2025年發電行業企業溫室氣體排放報告管理有關工作的通知》) issued by Ministry of Ecology and Environment of the People's Republic of China on February 7, 2023.

### 7.2 A2 Use of Resources

The energy consumption of the Company in its operational process mainly comprises electricity, gasoline and water resources. Since the Company is mainly engaged in the investment, development, production and distribution of film and drama series content, which do not produce large quantities of physically tangible products, it does not use or consume large quantities of packaging materials. In addition, the Company has low consumption of energy as it has small number of staff, and only uses energy during office hours and when using cars. The water source of the Company is municipal water supply and mainly for domestic use in the office area, thus the Company has been able to obtain suitable water sources without difficulty. The Company also records and monitors energy usage and water consumption on a regular basis and updates the initiatives to reduce the use of resources from time to time.

In its daily operations, the Company strictly complies with relevant laws and regulations such as the Environment Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and works to improve drama series production productivity and efficiency through green industrialized production. Unswervingly taking "enhanced quality and efficiency" as its top priority during its operation, the Company is committed to the protection of resources and the improvement of resource utilization efficiency, and actively practices the concept of green and sustainable development. During the Reporting Period, the Company did not violate the above-mentioned laws and regulations.

**Table: Energy Consumption in 2023**

| Indicator | Unit | 2023 |
|---|---|---|
| Purchased electricity | kWh | 31,531 |
| Gasoline | Liter | 8,032 |
| Total energy consumption[1] | Tonnes of standard coal equivalent | 12.73 |
| Energy use intensity | Tonnes of standard coal equivalent/RMB million revenue | 0.015 |
| Conversion of electricity for energy consumption[1] | kWh | 103,549.44 |
| Conversion of electricity for energy consumption intensity | kWh/RMB million revenue | 123.176 |

1 Total energy consumption and conversion of electricity for energy consumption are calculated by General Principles for Calculation of Comprehensive Energy Consumption (《綜合能耗計算通則》) (GB/T 2589-2020) issued by State Administration for Market Regulation and Standardization Administration of the People's Republic of China.

**Table: Water Resource Consumption in 2023**

| Indicator | Unit | 2023 |
|---|---|---|
| Total water consumption | Tonnes | 1,100 |
| Total water consumption intensity | Tonnes/RMB million revenue | 1.308 |

## 7.3 A3 The Environment and Natural Resources

Since the Company is engaged in film and drama series production business, which mainly includes, among others, human activities on the shooting sites, and does not involve large-scale production activities, and the crew members strictly comply with the regulations on environmental protection as stipulated in Administrative Measures for the Crew (《劇組管理辦法》), the possibility of causing substantial impact on the environment and natural resources in its daily operation process is remote. Despite the growth of the Company and the addition of new business segments, the Company has always been committed to integrating the concepts of environment and natural resource protection into the Company's daily operations and shooting activities, keeping close attention and careful consideration to environmental and resource issues, so as to avoid causing substantially negative impact on the environment and natural resources. The Company will also keep reviewing its existing environmental protection systems and consider timely measures and regulations to enhance the protection of the environment and natural resources, with an aim to contribute to the betterment of the global ecological environment.

### *7.3.1 Green Office*

The Company actively promotes the environmental practices of low-carbon office operations and adheres to green operation to minimize the negative impact of daily operations on the environment. During the Reporting Period, the Company enhanced employees' awareness of green office through internal training and promotion activities, and adopted a series of measures to ensure that the green office concept is embraced during the Company's operations. Specific measures include but not limited to:

- Paper saving: Promote smart office and advocate paperless office, preset the printers to duplex printing and post paper saving signs thereon;

- Water and electricity saving: Post water and electricity saving signs in the office area and implement the "safety officer" strategy that requires the last person who leaves the office to turn off water and electricity;

- Resource management: Based on the needs from different position, design and implement a mechanism for employees to claim assigned number of office supplies, so as to avoid unnecessary waste; reduce the consumption of disposable items, such as paper cups, bottled water and disposable tableware; give discounts to employees who use BYO cups and recyclable cutlery when they spend at the Company's snacks and coffee corner; and

- Resource recycling: Set up in the office area recycling box for used clothes, books, computers and other waste to promote resource recycling. 10kg of used clothes were collected in 2023.


Photo: Water saving sign in the office


Photo: Electricity saving sign in the office


Photo: Paper saving sign


Photo: Resource recycling corner

### *7.3.2 Green Production*

The Company has been adhering to the concept of green production in building a green filming crew. The Company adopted innovative measures to reduce unnecessary resource consumption and carbon emissions from the conventional film and television production practices.

The Company followed the principle of low-carbon and environmental protection priority in the process of filming while ensuring the quality of the drama series. High-quality and environmentally-friendly props, paints and recyclable building materials were purchased when setting up scenes. The Company arranged for the filming crew to commute by new-energy vehicles and to dine with reusable food containers and degradable lunch box. The "handheld production system" was employed to realize the electronic coordination of various workflows of the crew, which in turn effectively saved the consumption of paper and other resources in the process of filming.

On the filming site, the Company paid attention to the ecological protection and waste management, appointed dedicated personnel to manage and maintain the surrounding areas around the shooting site, collect sorted wastes and clean up the site after the completion of the shooting so as to avoid ecological damage; and made full use of the technologies such as re-use of the filming bases, the studios, digital asset libraries and LED walls to replace actual set decoration to avoid unnecessary resources consumption and transportation, thereby shortening preparation time. Examples included *Hello Beautiful Life* (《心想事成》), whose scenes were partly set up virtually by LED walls; and *Lost Identity* (《孤戰迷城》), where natural scenes were reproduce via panoramic film scanning technology, which not only diversified dynamic effect for the characters, but also were reusable in subsequent drama projects, reducing the use of related resources.

The Company also actively promoted the collection and reusing of the props by building a warehouse in Hengdian World Studios base to store and reuse the crew's assets, such as props and clothes, so as to maximize the reuse rate of resources and reduce waste and environmental pollution caused by waste disposal from the source.

### *7.3.3 Green Commute*

The Company strongly encourages its employees to adopt green and low-carbon travelling and incorporate this concept into their daily commute to reduce greenhouse gas emissions generated by transportation. In order to arouse employees' awareness of green travel, the Company advocates "green commute" by implementing a system for flexible clock-in, allowing employees use low-carbon travel modes such as bike sharing, electric vehicles and public transport during their daily commute, and to provide incentives for "green commute" on green travel days twice a month. If an employee is late for work by less than one hour due to the use of green commute, he or she can produce relevant proof for attendance adjustment. At the same time, the Company allows employees apply for working from home once a month, and strongly promotes mobile office and online meetings to reduce unnecessary business activities and travelling.

## 7.4 A4 Climate Change

Climate change has become one of the greatest challenges in the 21st century in the world. Responding to climate change represents an objective and inherent requirement for sustainable development, and the Company is no exception to such impacts. As the Company's business mainly involves drama series and films production and licensing of drama series and films broadcasting rights, except for partners and employees engaging in on-site filming, those responsible for early-stage preparations, screenwriters, post-production and other staff of the Company can meet the Company's operational requirements by working from home, thus the Company's operation process faces with lesser climate change risks. However, the Company is deeply aware of the importance of climate change to its long-term development, and refers to the national "carbon peak and carbon neutrality" target as its highest strategic guideline by following industry standards, and paying close attention to the potential impact of climate change on the Company's business and operations.

In order to be more resilient to climate change, the Company has included climate-related risks into its overall risk assessment and management system. In 2023, the Company has identified climate-related risks, having taken into account its actual operating performance and the recommendations of the TCFD, in a bid to improve its response to climate change and give support for global climate action. The major climate change risks faced by the Company and the response measures are as follows:

| Risk | Type | Potential Risk Impacts | Responses Measures |
|---|---|---|---|
| Transition Risks | Policy and regulation | • Increasingly stringent government's policies, laws and regulations relating to carbon emissions and environmental information disclosure, which will add to compliance costs for enterprises<br>• The national carbon emissions trading market is taking shape, and its policies on carbon tax and carbon price will add additional cost pressure on enterprises<br>• The Stock Exchange's new guidelines and requirements on ESG and climate information disclosure, which increases the compliance pressure | • Pay more attention to the government's policies and regulations on climate change, and continuously follow the trend of global climate change<br>• Use less traditional fossil fuels but more clean energy, so as to respond to the regulatory requirements from the source<br>• Enhance environmental information disclosure based on domestic and foreign disclosure guidelines for sustainable development<br>• Closely monitor the trend of the Stock Exchange's policy changes, and hold policy interpretation and sharing sessions in respect of the newly released policies, to actively respond to the new policies and enhance employees' awareness of ESG and climate change risk prevention |
| | Technology | Low-carbon and energy-saving technologies are being increasingly applied during drama productions, and lagging technologies may undermine our competitiveness | Explore the application of digital, low-carbon and energy-saving technologies in drama filming and production |

| Risk | Type | Potential Risk Impacts | Responses Measures |
|---|---|---|---|
| | Market | Increasing demand from audiences for climate change and environmental protection may lead to changes in audience and customer preferences | • Continuously pay attention to the concerns and content demands of audiences for various topics on ESG issues, and constantly explore and innovate content and expression methods based on audiences' needs and industry trends<br>• As a socially responsible content producer, the Company will communicate closely with outstanding practitioners inside and outside the industry, and incorporate quality content that matches the themes of ESG and sustainable development into the content selection |
| | Reputation | With the rising public concern over climate change, there is a risk of negative publicity if episodes are produced in an environmental – unfriendly way | • Strictly review the project process to ensure that the filming and production of drama series comply with the policy requirements on environmental protection<br>• Focus on ecological protection and waste management on filming site |
| Physical Risks | Acute | Extreme weather (rainstorms, typhoons, heavy snowfalls, floods, high temperatures, severe cold weather and others) would affect and threaten the Company's filming, shooting, warehouse management and other aspects | • Conduct pre-emptive prevention and weather monitoring, and pay close attention to weather changes in the locations where the business premises are located and where the contents are produced<br>• Actively formulate Business Continuity Plans (BCP) and establish efficient and orderly preventive measures and disaster relief operation mechanisms. In the event of severe weather changes, notify employees to work from home or evacuate in a timely manner, set up preventive facilities in advance or notify work stoppage |
| | Chronic | Persistent high temperatures, droughts, and rising sea levels leave traditional filming sites unfit for shooting, which will affect filming site selection | • Continuously strengthen our ability to respond to and mitigate climate change<br>• Assess the climate risk of potential filming locations and select filming areas with relatively stable climate conditions |

The Company is also actively seeking opportunities related to climate change, and realizing the concept of environmental protection through the implementation of measures such as green office and green commute, which effectively reduces carbon emissions from daily operations. At the same time, the Company incorporates environmental responsibility and green concepts into its drama productions, demanding more transparency and visibility of emission by the crew. To carry out green filming guiding principle, the Company relies on the frontline drama production team to coordinate among different parties such as partners, outdoor scene base, post-production companies. The Company seizes opportunities for low-carbon development, and leads industry changes through green industrialization, joining hands with all parties to combat climate change.

## 8 B SOCIAL ASPECT

### 8.1 B1 Employment

The Company strictly abides by relevant laws and regulations such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), and actively formulates internal management systems such as the Staff Manual (《員工手冊》), the Remuneration Management Measures (《薪酬管理辦法》) and the Measures on the Management of Staff Performance Assessment (《員工績效考核管理辦法》) to effectively protect and safeguard the legal rights and interests of employees. The Company's Staff Manual complies with applicable labor laws and regulations, which is mainly used for governing the workflow for recruitment, induction and training, employee transfer, dismissal and promotion of employees. For new employees, the Company provides them with a digital version of the Staff Manual to help them familiarize with the Company's operations, employment and labor practices. In the event of alteration in local labor regulations and the polices on human resources management of the Company, the Company will update the manual and distribute the revised version to all employees in a timely manner.

During the Reporting Period, there was no event relating to employment discrimination, harassment, bullying, insults, child labor and forced labor, nor any significant non-compliance and violation of relevant laws and regulations in other employment issues such as compensation and dismissal, recruitment and promotion, working hours, rest break at work, diversity and other fringe benefits.

#### *8.1.1 Human Resource Management*

The Company is dedicated to formulate an employment plan based on its business development needs on an annual basis, retain talents through different recruitment channels such as internal referrals, social media and network recruitment and encourage professional talents who are interested in film, television and content production industries to attend recruitment interviews. For those who pass the interview, the Company will sign employment contracts or labor contracts with them in accordance with the laws to protect their legitimate rights and interests. The Company regards talent as a valuable corporate asset and is committed to providing employees with a caring workplace and fostering a corporate culture of mutual respect and mutual support for growth so that employees can realize their values in a harmonious and stable environment and grow with the Company.

As at December 31, 2023, the Company had 71 full-time employees from different regions, of whom 59.2% were female.

**Table: Employee Information of the Company in 2023**

| Indicator | | Unit | 2023 |
|---|---|---|---|
| Total number of employees | | Person | 71 |
| Number of employees by gender | Male employees | Person | 29 |
| | Female employees | Person | 42 |
| Number of employees by age | Under 30 | Person | 12 |
| | 31-39 | Person | 32 |
| | Over 40 | Person | 27 |
| Number of employees by employees' rank | Decision leadership | Person | 3 |
| | Senior management | Person | 6 |
| | Middle management | Person | 20 |
| | Junior employees | Person | 42 |
| Number of employees by types of employment | Full-time employees | Person | 71 |
| | Part-time employees | Person | 0 |
| Number of employees by regions | Mainland China | Person | 71 |
| | Hong Kong, Macau and Taiwan | Person | 0 |
| | Overseas | Person | 0 |

The Company did its best to attract and retain talents of different backgrounds. The Company's turnover rate of employee as at December 31, 2023 is set out below.

**Table: Information on Turnover of Employee of the Company in 2023**

| Indicator | | Unit | 2023 |
|---|---|---|---|
| Total turnover rate of employee[1] | | % | 15.49 |
| Turnover rate of employee by gender[2] | Male employee | % | 20.69 |
| | Female employee | % | 11.90 |
| Turnover rate of employee by age[2] | Under 30 | % | 16.67 |
| | 31-39 | % | 12.50 |
| | Over 40 | % | 18.50 |
| Turnover rate of employee by regions[2] | Mainland China | % | 15.49 |
| | Hong Kong, Macau and Taiwan | % | 0 |
| | Overseas | % | 0 |

1 Total turnover rate of employee = total number of resignations/total number of employees;

2 Turnover rate of each category = number of resignations in such category/total number of employees in such category.

*8.1.2 Remuneration and Other Entitlements*

The Company has established a fair, reasonable, motivational and competitive salary system, continuously optimizes the salary policy and constantly improves the salary management. The Company's remuneration package consists of salary, fringe benefits and year-end bonus. The Company will award certain amounts of discretionary year-end bonus to the employees annually based on its operations and their performance so as to encourage them to create value to the Company and share with them the fruit of the Company's development. In addition, the Company has in place equity incentive schemes to reward those employees who have made remarkable contribution to the growth and development of the Group, so as to further enhance the Company's cohesion, stimulate employees' creativity, safeguard employee benefits, and promote talent attraction and retention.

During the Reporting Period, the Company revised the Welfare System of Strawbear Entertainment Group (《稻草熊娛樂集團福利制度》) so as to provide abundant and wide range of fringe benefits to the employees:

- **Health benefits:** The Company offers supplementary medical insurance policies (including major diseases insurance and accident insurance) to its employees and arranges annual health examination for them, in addition to making contribution to medical insurance, pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund in accordance with the laws. In addition, the Company provides paid sick leave to its employees for good rest and recovery.

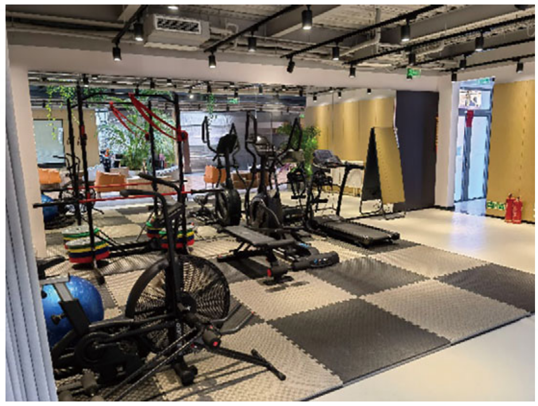
- **Work arrangement benefits:** The Company provides flexible work arrangement to allow employees to apply for work from home once a month, so that the working hours can be better arranged to suit their personal needs, working habits and rest preferences.

- **Life benefits:** The Company not only safeguards employees' fundamental rights and provides statutory holidays and vacations in accordance with the laws, but also offers other paid leaves to them, including house moving leave, marriage leave, maternity leave, paternity leave, parental leave, parent care leave for only child, and bereavement leave; in the office area, the Company spares a staff only pantry for its employees to enjoy snacks and have a short rest.

- **Birthday celebration:** The Company respects its employees' personal preference and provides them with personalized birthday and anniversary benefits, including but not limited to e-blessing cards, birthday cakes and gifts. In addition, the Company will arrange mini birthday parties for the birthday employees during lunch break, and give them cake coupons. They may redeem cakes or other snacks based on their personal preference.

- **Anniversary celebration:** The Company provides heart-warming gifts to the employees who have reached their anniversary of hire dates, including anniversary celebration emails, membership cards for streaming media platform, business learning gift packs and other commemorative gifts.

- **Cultural and sports activities:** The Company has designated a fitness area to advocate healthy work-life balance, and encourages its employees to regularly participate in various cultural and sports activities such as hiking around a lake, and also organizes public welfare activities such as mountain hiking to collect garbage, and volunteer activities, to enrich the mental life of the employees and broaden their social horizon.



Photos: Pantry and fitness area in the operation office of the Company

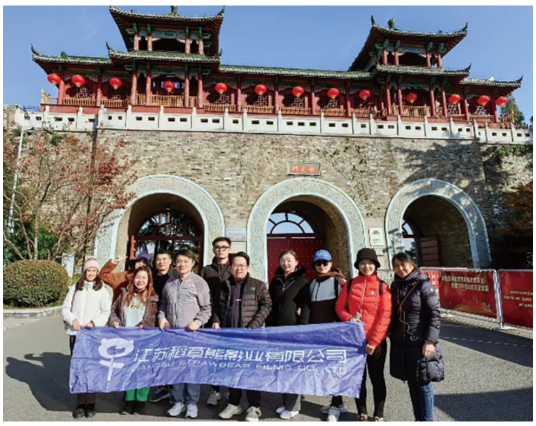


Photo: Hiking around Xuanwu Lake


Photo: Mountain hiking to collect garbage in Pukou District

### *8.1.3 Anti-discrimination, Diversity and Equal Opportunity*

The Company strongly recognizes the value of diversity and inclusiveness, implements equal and compliant employment policies, firmly opposes all forms of employment discrimination, child labor and forced labor, and treats employees of different genders, ethnic groups, regions, religious beliefs and cultural backgrounds in a fair and equitable manner. All permanent employees receive equal pay for equal work. Sexual harassment, bullying, insults, intimidation and any other act that damages the legitimate rights and interests of an employee in the workplace are strictly prohibited. Anyone who violates the above regulations will be severely punished.

## 8.2 B2 Health and Safety

The Company values the health and safety of its employees, strictly abides by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Work-Related Injury Insurance Regulations (《工傷保險條例》), and has formulated measures and systems such as the Administrative Measures for the Crew (《劇組管理辦法》) and Management System on Safety Production (Filming) (《安全生產(攝製)管理制度》). During the production process, the production team and the heads of the art, makeup, costume, props and other teams involved in on-site filming have established a 24-hour contact method so as to identify potential safety risks in a timely manner and prevent the occurrence of accidents. In addition, the Company established a variety of health and safety protection measures for its employees. During the Reporting Period, the Company organized regular physical examinations for all employees, and provided psychological counseling support for the employees in need of help in order to protect their physical and mental health. For three consecutive years (including the Reporting Period), the Company has not had any violations of aforesaid laws and regulations, nor work-related injuries or work-related fatalities involving its employees.

Photo: Emotional management counselling session organized by the Company

In order to safeguard the safety operation of the crew and ensure the filming quality and progress, the Company has set up specified regulations on the whole process from joining to leaving of the crew members, to ensure that the principle of "high-quality service, safety, work efficiency and saving costs" is followed in every part, and require our partners to jointly participate in the supervision of safe production. The Company has adopted various measures to ensure the safe filming of the crew, including but not limited to:

- Raw materials, glues and paints necessary for set decoration and prop fabrication are all environmentally certified products; and the shooting site is located at a sufficient distance from the accommodation of members of the cast and the filming team and well ventilated to reduce the impact of harmful gases and noise pollution so as to protect the physical and mental health of the crew;

- Relevant personnel was delegated to monitor and manage the shooting site, ensure the personal and property safety during the shooting, and personal accident insurance and medical insurance for the crew were also purchased;

- A check-in system is implemented for the crew to check in for accommodation, and the Regulations on Hotel Accommodation was formulated to regulate their behaviors;

- To ensure the fire safety of the crew's accommodation site, all check-in staff members are not allowed to cook, use open flame, store or use high-power electrical appliances in their rooms. An authorized crew member will conduct ad hoc inspections. For anyone who ignores the warning and violates the above regulations, the authorized crew member has the power to confiscate the appliances and impose a penalty;

- The management of the crew's vehicles and drivers was strengthened, and the Regulations on Vehicle and Driver Management were formulated to standardize the process of using vehicles and clarify the obligations and responsibilities of the drivers to eliminate traffic safety risks;

- After a new member joins the crew, the leader of the crew will arrange an orientation to such new member to help him get familiar with the system so as to ensure that the crew members are aware of all safety regulations and management systems, and enhance crew members' awareness of self-safety protection;

- All employees are prohibited to smoke in the non-smoking area and filming area, and the crew members have the obligation to remind visitors not to smoke in the non-smoking area. Any person who violates this rule will be imposed a fine;

- Operators in special positions should provide applicable work certificates and skill certificates before taking up their jobs to prevent operations on site without a qualification certificate;

- During the warehouse construction, the operators are required to check the circuits and electric tools first to ensure the safety of power supply and equipment before construction;

- During the operation and construction period, involved workers must get familiar with the standardized operation procedures of the electric tools. Careful use of electric tools is required to avoid personal injury;

- The operation room of the warehouse should be kept tidy, and stacking things randomly is prohibited so as to ensure safe production and reduce the damage of finished products for set decoration;

- Fire prevention equipment is checked regularly and necessary efforts are strictly made for fire precaution;

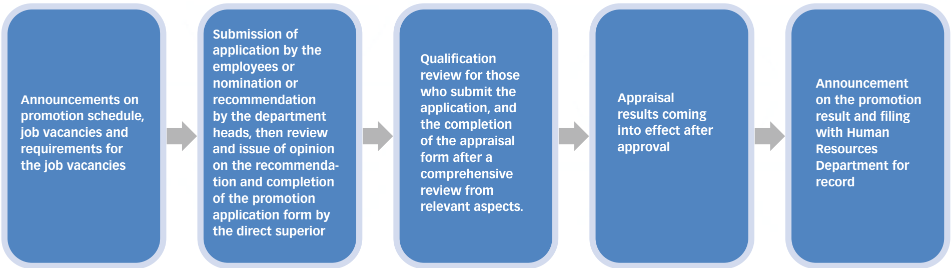
- At the end of the construction, the persons on duty must check the doors, windows and the power supply of the warehouse to completely eliminate the potential danger of fire and theft before leaving the operation room of the studio; and

- In the event of the occurrence of an accident, emergency rescue must immediately be arranged so as to minimize the accident loss and the heads of the crew must be reported at once. The heads of the crew shall report to the leaders of the investors and relevant local authorities immediately. After the accident is handled, the crew shall submit a written report on the accident to the Company. The Company will, according to the results of the investigation on the accident, hold the persons concerned liable, as appropriate, for the economic, administrative and legal consequences.

## 8.3 B3 Development and Training

### *8.3.1 Career Promotion*

The Company regards career development of its employees as important part of its strategic planning. In order to help employees achieve better personal growth and career development, the Company has formulated a promotion management system and established a clear employee promotion path and development channel. According to the principle of "talents for suitable positions", employees with outstanding performance and high calibre will be offered better salary and promotion to incentivize them to stay positive and motivated, and continuously improve their own ability and quality. The promotion channels as set provided in the Company's system include self-recommendation, recommendation by the department heads and selection by the superiors.




Picture: Promotion process for employees

### *8.3.2 Employee Training*

The Company keeps improving its Staff Training System, and provides induction trainings for newcomers and professional trainings for permanent staff, continuously strengthening the training efforts in enhancing its employees' knowledge base and professional skill sets, comprehensively upgrade its employees' professionalism and specialized skills so as to enhance the Company's core competitiveness. The Company encourages its employees to pursue lifelong learning and actively participate in professional trainings in the industry and charitable and public welfare activities in the community. Psychological or tangible rewards are given to employees based on their attendance in trainings, performance in examinations for qualifications, and attitude of eagerness in participating in social public welfare activities.

During the Reporting Period, the Company held a number of special trainings on various topics including, among others, business and legal knowledge, covering industry trends, sharing of creative ideas, contracts used in film and television industry, which improved the professional knowledge of the employees in a multi-dimensional and all-round manner. In addition, the Company held ESG training sessions to raise employees' awareness in relation to the ESG trend and relevant risks and opportunities, organized a talk on the integration of ESG concepts and the film and television industry and encouraged its employees to actively participate in ESG practices, integrating the ESG guiding principles into the Company's daily operations and production of film and television works.

The Company also encourages its employees to participate in various external trainings to obtain relevant qualifications based on the business need and their personal growth plan, and provides financial support for its employees to obtain professional qualifications, so as to incentivize its employees to continuously improve their professional capabilities. During the Reporting Period, the chairman and two committee members of the Company's ESG Committee, and the head of the ESG working group participated in the trainings and seminars organized by such institutions as The Hong Kong Chartered Governance Institute, and obtained relevant certificates; the head of the Company's ESG working group obtained the Certificate in ESG Investing issued by CFA Institute.

Photo: Training on legal knowledge held by the Company


Picture: Display of certain certificates

**Table: Information on Training on Employees of the Company in 2023**

| Indicator | | Unit | 2023 |
|---|---|---|---|
| Proportion of trained employees by rank[1] | Decision leadership | % | 100 |
| | Senior management | % | 100 |
| | Middle management | % | 100 |
| | Junior employees | % | 100 |
| Proportion of trained employees by gender[1] | Male employees | % | 100 |
| | Female employees | % | 100 |
| Average training hours per person by employee's rank[2] | Decision leadership | Hour | 13.67 |
| | Senior management | Hour | 12.33 |
| | Middle management | Hour | 12.00 |
| | Junior employees | Hour | 11.09 |
| Average training hours per person by employee's gender[2] | Male employees | Hour | 11.69 |
| | Female employees | Hour | 11.48 |

1 Proportion of trained employees by category= total number of trained employees in that category/total number of employees in that category.

2 Average training hours per person by employee's category= total training hours of employees in that category/total number of employees in that category.

## 8.4 B4 Labor Standards

The Company strictly complies with relevant laws and regulations, including the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), and Employment Ordinance (Chapter 57 of the Laws of Hong Kong), and has adopted a series of internal control and compliance measures to prevent the employment of child labor and compulsory labor. During the Reporting Period, the Company neither violated the prohibition on employing child labor or forced labor nor breached any aforesaid laws or regulations.

The Company values the work-life balance of its employees and thus actively carries out various cultural and sports activities, narrows the gap between the management and the general staff members, enhances team cohesion, and provides employees with various benefits. In 2023, the Company held staff meetings in the places where the Company operates such as Nanjing and Beijing, effectively strengthening democratic participation, decision-making and communication between employees and the management, and protecting employees' rights to freedom of assembly and association.

Photos: The Company's 2023 staff meeting

## 8.5 B5 Supply Chain Management

The Company attaches great importance to supply chain management and the relationship maintenance with its suppliers, and is committed to building a fair, honest and clean, win-win and sustainable relationship. The Company developed measures and systems such as the Management Measures for Suppliers and Procurement and Management Measures for Business Outsourcing to clearly set out the workflow and the code of conduct in procurement and business outsourcing in order to prevent the operational risks in the supply chain.

With its established evaluation system, the Company maintains a stable and reliable supplier pool to provide reliable services and supplies for the enterprise's high-quality operation. The Company has compiled the Qualified Supplier List as the key basis for the selection and use of suppliers in its procurement and carries out regular evaluations to optimize the supplier resources. The main purpose of supply chain management is to form a mechanism to decide on choosing suppliers based on their performance on top of the survey on suppliers' resources to facilitate the continuous improvement of the supplier pool. The examination on new suppliers' overall capabilities involves, among others, basic industrial and commercial qualifications of new suppliers, their business scope, satisfactory level of their major clients, their after-sales service and price level. Only those who pass the examination will be included in the Qualified Supplier List. For the evaluation of existing suppliers, the Company focuses on examining their performance in past cooperation, including, among others, basic information on such existing suppliers, the cooperation term with the Company, our satisfactory level on their products, their after-sales service and price level. Suppliers assessed as unqualified will be suspended in cooperation. In addition, the Company established an accountable system for the procurement and payment functions, which clarified the responsibilities and authorities of relevant departments and positions, and ensured the separation, restriction and supervision of the positions involved in the procurement and payment functions. The Company adopts a collective decision-making and approval procedure so that no procurement of important and more technology-focused items will be made before obtaining expert's endorsement so as to avoid losses caused by immature decision.

The Company also pays attention to the performance of suppliers in ESG aspects. Environmental and social risks are controlled by the Policy on Sustainable Supply Chain which covers the whole process from supplier acceptance and evaluation, contracting and approval, management and integrity, behavior and communication, tracking and feedback, so as to establish an accountable and sustainable supply chain. During the Reporting Period, the suppliers were engaged in line with the Company's supply chain management practices.

### *8.5.1 Supplier Selection and Evaluation*

**Supplier referral:**

- Suppliers will be referred from various sources, and an evaluation on the supplier qualifications will be performed

**Due diligence on the supplier:**

- Suppliers are assessed and selected by a comprehensive investigation process on which scores are given to the qualitative and quantitative assessments for acceptance. Among them, suppliers with fundamental problems, such as participating in unfair competition, industry monopoly or corruption, will not be accepted

- Focus will be put on evaluating the performance of the suppliers in ESG aspects, especially in protecting environment and employee rights, workplace environment and management structure. Relevant policies on corporate management and corporate governance competence will be examined. Priority will be given to the suppliers with better environmental performance

### *8.5.2 Suppliers Acceptance and Execution of Contracts*

**Evaluation of suppliers:**

- Fairness and competition will be respected during the process of selection

**Signing contracts:**

- Suppliers who are accepted to provide services are required to sign the code of conduct, which should include, among others, a statement on the protection of employee rights and interests, and clauses on anti-commercial bribery, anti-corruption and ethics, as appropriate. For example, in cooperation with the cast and core creative teams, those teams are required not to commit illegal or unethical acts in violation of national laws and relevant regulations of the NRTA. During the cooperation period of the project, the Company signs the Integrity Responsibility Letters with the suppliers to ensure that they fulfill their obligations of integrity and law-abiding

### *8.5.3 Management on and Communication with Suppliers*

**Management on suppliers:**

- A clear award and penalty system was formulated to incentivize outstanding suppliers and blacklist those suppliers under risk warnings or having violation of regulations so as to strengthen supplier risk management

- Suppliers' fulfillment on their obligations under contracts is tracked to improve the reliability of the evaluation system

**Communication with suppliers:**

- The integrity standards and code of conduct for business personnel were clearly clarified to avoid issues such as non-compliant transactions

- Detailed records on interactions and communications with customers and suppliers are maintained

- Non-regular training sessions are provided to our business partners to improve their capabilities, which covers policy planning, production process, safety production, protection of rights and interests so as to jointly improve the smoothness of cooperation

### *8.5.4 Supplier Tracking and Feedback*

Annual performance assessments are carried out for our cooperative suppliers on the basis of the Qualified Supplier Evaluation Checklist, and the ranking of the suppliers are determined as an important basis for the selection of procurement suppliers in the coming year.

**Table: Suppliers of the Company in 2023**

| Indicator | | Unit | 2023 |
|---|---|---|---|
| Number of suppliers by region[1] | Total | Entity | 215 |
| | Eastern China | Entity | 106 |
| | Southern China | Entity | 10 |
| | Central China | Entity | 0 |
| | Northern China | Entity | 80 |
| | Northwestern China | Entity | 6 |
| | Southwestern China | Entity | 9 |
| | Northeastern China | Entity | 4 |
| | Hong Kong, Macao and Taiwan | Entity | 0 |
| | Overseas regions | Entity | 0 |

1 "Number of suppliers" refers to the total number of suppliers contracted during the Reporting Period, and "by region" refers to the place of incorporation of the suppliers.

## 8.6 B6 Product Responsibility

### *8.6.1 Films and Television Works*

As entertainment products broadcast to the public, film and television works assume no product responsibility in respect of issues related to the health and safety of general public, nor any responsibility for product recall applicable to general products. Based on the Company's understanding, its product responsibility in relation to film and television works is mainly to continuously improve the audience's perception through content diversification and innovation, use the advantages of content communication to share stories with positive messages and the concept of sustainable development; ensure content output efficiency and product quality through new technology such as AIGC and digital transformation, and reduce the negative impact on the environment brought by film shooting.

8.6.1.1 Diversified content formats

The Company keeps accumulating and optimizing its IP structure so as to create a content landscape with diversified segments. Its diversified genres cover, among others, teen drama, sweet idol drama, office drama, metropolitan emotion drama, family ethics drama, comedy, historical drama, period legend. The Company integrates high-quality industrial resources with its platform-based operating mode, constantly coordinates and balances the output of its drama series and the quality of content of such drama series, continuously dedicates itself to the quality of its drams series, and persistently upholds integrity and innovation in order to create more high-quality drama series.

In 2023, a total of 9 captivating drama series developed and produced by the Company were broadcast online, all of which have achieved good broadcast effect and market feedback. In terms of conventional genres, the Company kept bringing new ideas to those drama types that were popular among the viewers, and launched hybrid genre dramas in response with the demands of the market and the platforms, such as metropolitan sweet idol drama, office sitcom and metropolitan medical emotion drama.

Building on the foundation of integration and innovation, the Company also constantly put focus on connecting the new generation, showing new vocations, and presenting the new landscape under the new development in the new era from the perspective of young people. *You are Desire* (《白日夢我》), a youth drama series with an original theme about "*emotional downs and ups* (喪燃)" that Generation Z face during their growth, which triggered a heated discussion and resonance of Generation Z by narrating a healing story of two-way efforts and two-way protection; *Hello Beautiful Life* (《心想事成》), a metropolitan family ethics drama series showing the "new Beijing culture" in the new era, captured and recorded the ever-changing "new images", and expresses the "new ethics" in cross-generation communication and interpersonal relations, triggering a new perception of life and dreams among the audience; the sitcoms that showed the complicated interpersonal relationships in a workplace and the emotional appeal of the nowadays young people, titled *Never Give Up* (《今日宜加油》) and *Crazy Troupe* (《瘋狂劇團》), telling a story about the nowadays young generation's fresh touch and experience on their social life, and young city dwellers' pursuit of dreams; *Never Too Late* (《我的助理不簡單》), a metropolitan entrepreneurial drama series, telling a story about cross-generation communication and the joys and sorrows of working women who are the backbone of the society from a female perspective; *The White Castle* (《白色城堡》), a metropolitan medical drama series, telling an inside story about the industry and the benevolence of medical practitioners; *The Forbidden Flower* (《夏花》), a metropolitan romance drama series, telling a beautiful and romantic love story with innovative visual and audio effects, meaningful shots and magnificent aesthetic appeal; *The Girl Who Sees Smells* (《你好，我的對面男友》), with unique character design, telling a delicate story about the young generation's loyal and unswerving love; and *Embrace love* (《擁抱未來的你》), a contemporary science fiction drama series with unconstrained imagination, telling a sweet love story that goes beyond time and space.


Picture: the poster of the TV series
*Never Give Up* (《今日宜加油》)


Picture: the poster of the TV series
*Never Too Late* (《我的助理不簡單》)


Picture: the poster of the TV series
*You are Desire* (《白日夢我》)


Picture: the poster of the TV series
*Hello Beautiful Life* (《心想事成》)

As at December 31, 2023, the Company had ten quality drama series to be broadcast and a number of drama series of various genres under preparation, including *The Swimsuit Saga* (《乘風踏浪》), a classic entrepreneurial comedy; *In the Name of the Brother* (《哈爾濱一九四四》),a period drama series about spy war; *Lost Identity* (《孤戰迷城》), a historical drama series about revolution; *Breaking the Shadows* (《烏雲之上》), a criminal detective drama series; *Reborn for Love* (《四海重明》), a fairy tale romance drama series; and *Win or Die* (《夜不收》), an ancient military drama series, which covered a wide range of genres and themes that the audiences would enjoy.

Picture: the poster of the TV series
*In the Name of the Brother* (《哈爾濱一九四四》)

Picture: the poster of the TV series
*Reborn for Love* (《四海重明》)

During the Reporting Period, the quality of the drama series broadcast by the Company were highly recognized by the audience and the industry, as demonstrated by numerous accolades we were awarded from the TV drama industry. Among them, *Never Give Up* (《今日宜加油》) was honored with the "Second Prize of Jiangsu Premium TV Drama Awards 2022-2023 (2022-2023年度江蘇省優秀電視劇二等獎)"; *The Bachelors* (《追愛家族》) was honored with the "Third Prize of Jiangsu Premium TV Drama Awards 2022-2023 (2022-2023年度江蘇省優秀電視劇三等獎)"; *The Forerunner* (《前行者》) was honored with the "2023 'City Star' China Drama Awards Star of the Year (2023『城市之星』國劇頒獎禮年度之星)"; *Hello Beautiful Life* (《心想事成》) and *Love Journey* (《一場遇見愛情的旅行》) were honored with the "Excellent Emotion TV Drama at the Audience Festival of Wuhan Broadcast and Television Station (武漢廣播電視台觀眾節優秀情感題材電視劇)"; and *My Bargain Queen* (《我的砍價女王》) was included into its collection by the NRTA.


Photo: the trophy of the Second Prize of Jiangsu Premium TV Drama Awards (江蘇省優秀電視劇二等獎) for *Never Give Up* (《今日宜加油》)


Photo: the trophy of the Third Prize of Jiangsu Premium TV Drama Awards (江蘇省優秀電視劇三等獎) for *The Bachelors* (《追愛家族》)

Photos: the awards of Outstanding Emotion TV Drama for *Hello Beautiful Life* (《心想事成》) and *Love Journey* (《一場遇見愛情的旅行》) at the Audience Festival of Wuhan Broadcast and Television Station (武漢廣播電視台觀眾節優秀情感題材電視劇)

In order to actively promote the concept of sustainable development, the Company took full advantage of content communication and multiple channels, actively created and developed ESG-related films and TV drama series. The Company has practiced ESG concept throughout all stages from project screening, screenplay incubation, shooting and production, post-editing to promotion and marketing. In the process of content selection, the Company's producers communicated with our partners about the ESG genre and story preferences, and encouraged the creation and development of relevant story plot. In the process of shooting and production, ESG-related topics were integrated into the story in a reasonable manner based on the screenplay, while the local customs of the shooting location were also shown with movie language, and the ideas of environmental friendliness and sustainable green production was put into practice. In the process of promotion and marketing, leveraging on its competitive edges on content communication and multiple channels, the Company promoted the concept of sustainable development, and advocated ESG values, such as harmony between human beings and nature, social welfare, biodiversity protection and intangible cultural heritage, to the general public.

8.6.1.2 Application of new technology

During the Reporting Period, the Company actively adopted cutting-edge digital means to realize the efficient delivery of its film and television products. For example, the Company adopted a new generation of film and television production management system of well-known domestic streaming media platforms, which efficiently linked the processes of pre-production, mid-term shooting and post-production of the projects, and gradually integrated the whole cycle of film and television projects into a standardized and systematic operation system, significantly shortening the shooting cycle and reducing the use of paper and other resources by the production crew in filming.

The Company also extensively used new production technologies such as virtual filming. For example, for the TV series *Hello Beautiful Life* (《心想事成》) broadcast in 2023, some of the filming scenes were virtually produced by LED screens. This filming technology moved the production of special effect, which is usually produced in the post-production stage, to an earlier production stage, which not only effectively improved the visual effect of the finished TV drama series, but also brought a positive effect on process efficiency and cost control.

During the shooting of *Win or Die* (《夜不收》), the production crew tried to move the horses and the "treadmills" used for horse training into the studio, and filmed with green screen, so as to make a more realistic audio-visual effect of horse riding while enhancing the safety of the actors and the horses during shooting.

Photo: the indoor shooting of horse riding in *Win or Die* (《夜不收》)

*8.6.2 Intellectual Property Protection*

The Company strictly abides by the provisions of the laws and regulations such as the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), and has formulated the Intellectual Property Management Measures (《知識產權管理辦法》) and the Provisions on the Management of Intangible Assets (《無形資產管理規定》), setting out strict provisions on patent rights, intellectual property (including, among others, technical secrets, trademark rights, copyrights, and commercial secrets, as well as such patents, trademarks, works and computer software introduced by the Company) and the rights conferred by the Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), including, among others, exclusive right to trade names, domain names and the URL. Meanwhile, to ensure the orderly implementation of intellectual property management, the Company has also established a series of systems and measures such as the Assessment System for Intellectual Property (《知識產權評估制度》), the Novelty Search and Retrieval System for Intellectual Property (《知識產權查新及檢索制度》), the Filing System for Intellectual Property (《知識產權工作備案制度》), the Centralized Management System for Intellectual Property Archives (《知識產權檔案集中管理制度》), the Determination System for Achievements Allocation (《成果歸屬判定制度》), the Confidentiality System for Intellectual Property (《知識產權保密制度》), the Commitment System for Intellectual Property Protection (《知識產權保護承諾制度》), the Contract System for Intellectual Property (《知識產權合同制度》), the Protection System for Intellectual Property (《知識產權保護制度》) and the Publicity System for Intellectual Property (《知識產權宣傳制度》), constantly strengthening the Company's efforts in protecting the intellectual property and enhancing employees' sensitivity and sense of responsibility for intellectual property protection through organizing regular training sessions on legal knowledge and case study within the Company. During the Reporting Period, the Company had no material disputes or cases involving infringement and content plagiarism, and other issues involving intellectual property rights.

As of December 31, 2023, the Company had rights of adaptation into movies or TV dramas and other rights and interests of over 40 screenplays and novels.

*8.6.3 Responsible Promotion*

In the process of producing, publishing and promoting the drama series, the Company strictly abides by the laws and regulations such as the Administrative Regulations on Radio and Television (《廣播電視管理條例》), the Administrative Provisions on the Production and Distribution of Radio and Television Programmes (《廣播電視節目製作經營管理規定》), the Administrative Regulations on Content of Television Series (《電視劇內容管理規定》), the Administrative Measures for the Filing and Disclosure of the Production of Television Series (《電視劇拍攝製作備案公示管理辦法》), the Notice of Further Strengthening the Administration on Radio or Television Programmes and Online Audiovisual Entertainment Programmes (《關於進一步加強廣播電視和網絡視聽文藝節目管理的通知》), the Notice of Further Strengthening the Administration of Online Dramas, Microfilms, and Other Such Online Audiovisual Programmes (《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》), the Notice of Upgrading the Information Filing System of the Online Audiovisual Programmes (《關於網絡視聽節目信息備案系統升級的通知》) and the Supplementary Notice on Further Improving the Administration of Online Dramas, Microfilms, and Other Such Online Audiovisual Programmes (《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》) to ensure that the content and the quality of the drama series meet relevant national policy requirements. In order to regulate the use of advertising and promotional slogans, the Company and its partners have jointly formulated a standard system for company logos and fonts, and prohibits the use of, among others, non-copyrighted fonts and pictures internally or by its partners.

In 2023, the Company advertised and promoted several drama series including *You are Desire* (《白日夢我》), *Never Give Up* (《今日宜加油》), *Breaking the Shadows* (《烏雲之上》) and *In the Name of the Brother* (《哈爾濱一九四四》), and other upcoming drama series in compliance manners, and strictly reviewed the promotional materials to prevent unlawful marketing. In addition, the Company also invited experts on radio and television broadcasting to hold training sessions for its business team with the aim to enhance the regularity of its drama-series content production and publicity. During the Reporting Period, the Company was not subject to any penalty such as removal from the to-watch list, suspension of broadcasting or fines caused by the non-compliance of the quality or content of the drama series with the national requirements, nor did it receive any consumer complaints for the quality or content of its drama.

### *8.6.4 Information Security and Customer Privacy Protection*

The Company strictly protects customer information and data security, seriously implements relevant requirements under the Network Security Law of the People's Republic of China (《中華人民共和國網絡安全法》), the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) and any other relevant laws and regulations, established and has been improving its information management system, and takes various measures to better protect customer information. During the Reporting Period, the Company did not have any incidents regarding leakage of customer privacy and data information.

Data backup and management

- A Data Backup and Disaster Recovery Management System was formulated to standardize the establishment of the Company's important data backup list, the backup responsibility, backup inspection and the recovery after system damage, and to reasonably prevent risks in the use of computers and information system;

- All kinds of backup data shall be checked regularly at least once a year with the inspection records, and the expired data shall be updated or destroyed in time;

- It was stipulated that the department which uses such data should be contacted promptly in order to jointly carry out remedial measures and methods for damaged backup data. The backup data with expired storage period was required to be destroyed in time after being approved by the responsible officer;

- The hardware and software disaster recovery plan was developed;

- Regular investigation and evaluation shall be made at least once a year on the risks and hidden risks associated with the Company's information system; and

- An industry-leading network storage was used by the Company for resource sharing and data storage to ensure its data security.

Management for information system operation and maintenance

- The Company established a Management System for Information System to standardize the Company's management and maintenance of information system and ensure the safe operation of hardware and software in the system. Strict requirements and standards are set for, among others, the management of the server room, hardware, information system application and changes in information system, as well as application and control of the information system.

Account authority management

- The Company developed an Account Authorization Management System to ensure that only authorized users can access to the system and the server. It standardized the management of the business systems and infrastructure accounts and prevented any unauthorized access;

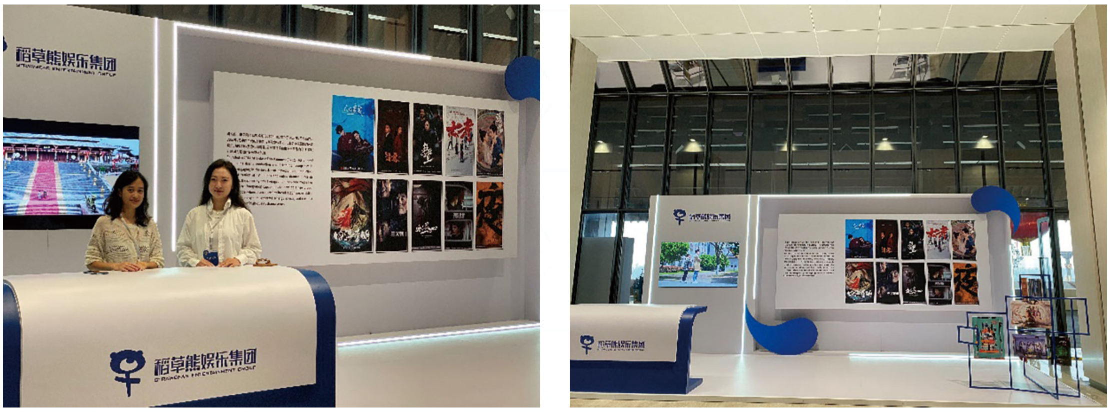
- Account management measures covering account setup, change of account authorization, denial of user access and cancellation of access authorization were set and strictly implemented.

Server room management

- The Company established a Server Room Management System to ensure the Company's information security. We have standardized the server room management to prevent the occurrence of fire and any kinds of accidents. The Company also implemented strict management for the cabinets and the operators working in the server room and set various operation procedures to prevent misuse and ensure the continuity of its information system operation.

#### *8.6.5 Promotion of Information Exchange and Development of the Industry*

Adhering to the principles of mutual respect and honest cooperation, the Company actively participates in the industry communication and cooperation, works with partners to promote industry progress and jointly promotes the high-quality development of the culture and tourism industry under the new situation. During the Reporting Period, the Company actively participated in the industry communication. In September 2023, the Company participated in the "Panda Takes You to Look Around the World" film and television exhibition of the First Golden Panda Awards (首屆金熊猫獎「熊猫帶你看世界」) organized by China Federation of Literary and Art Circles and the People's Government of Sichuan Province, at which the Company introduced its film and television works to the participants from China and abroad through publicity stills and written descriptions, trailers, and scenario creation in its on-site booth; in November, the Company took part in the 2023 Jiangsu "Golden Jasmine" New Film and Television Conference (2023江蘇「金茉莉」新影視大會) organized by the Jiangsu Provincial Radio and Television Administration and the Jiangsu Provincial Radio and Television Association, and Ms. He Mai, vice president and producer of the Company, was invited to attend the conference and discuss with the attending guests on the theme of "Cultural Mission and Responsibility of Film and Television in the New Era" in order to share their know-how and experience on project production and the boundary-pushing concepts on film production.




Photos: the Company participating in the 2023 "Panda Takes You to Look around the World" film and television exhibition of the First Golden Panda Awards


Photos: representatives of the Company participating in the 2023 Jiangsu "Golden Jasmine" New Film and Television Conference

In addition, the Company actively participated in the development of high-level communication platforms related to economy, society, environment and the industry in which it operates. During the Reporting Period, Mr. Liu Xiaofeng, chairman of the Board and the chief executive officer of the Company, was invited to participate in the Private Entrepreneurs Dialogue at the Annual Conference 2023 for a discussion with the attending guests on the challenges and response measures of private enterprises in culture industry when they are expanding into oversea markets. By adhering to the principle of "cultural confidence and innovation", the Company strives to expand into new channels, identify new business partners, and conceive "going out" plans for films and television producers, in a bid to promote Chinese culture, Chinese voice and Chinese images to the world.

Photo: the chairman and CEO participating in 2023 Bo'ao Forum

## 8.7 B7 Anti-corruption

The Company strictly abides by the Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不當競爭法》), the Interim Provisions on Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), the Company Law of the People's Republic of China (《中華人民共和國公司法》) and other laws and regulations, and has developed and prepared internal policies and systems such as the Staff Manual (《員工手冊》), the Management System for Antifraud, Anti-money Laundering and Anti-bribery (《反舞弊、反洗錢、反賄賂管理制度》), Reporting System for Interest Conflict (《利益衝突申報制度》), Misconduct Reporting Mechanism and Handling Measures (《不當行為舉報機制與處理辦法》) in accordance with relevant laws and regulations to create a corporate culture of honesty, clean, uprightness and integrity, which strengthens the regulation of employees' behavior. By provision of trainings on laws, regulations and professional ethics and in order to eliminate the occurrence of corruption, fraud and other immoral behavior, the Company has established a complaint and report mechanism and set up a special complaint and report channel to keep improving its risk management capabilities. During the Reporting Period, the Company neither involved in any litigations relating to bribery, corruption, extortion, fraud and money laundering nor violated such laws and regulations.

*8.7.1 Antifraud*

The Company keeps improving its Antifraud Management System (《反舞弊管理制度》), established and has improved its antifraud system and process. The Audit Committee under the Board of Directors of the Company is the leading unit of the Company's antifraud efforts, and the Company's internal audit department is the Company's standing organization for its antifraud efforts, responsible for the implementation of the antifraud work of the Company.


Picture: the Company's antifraud investigation process

The Company takes relevant measures to protect the legitimate rights and interests of the whistleblowers, protects the whistleblower's name, department he/she works for, his/her address, the report letter and other relevant information from being disclosed, and requires those who has or whose close relatives have an interest in the fraud case shall evade.

During the Reporting Period, the Company held one antifraud training session for all Directors and the entire staff, for which fun sessions such as prize-winning quiz and online quick answer race were designed to help the employees to actively participate in studying antifraud laws and regulations.

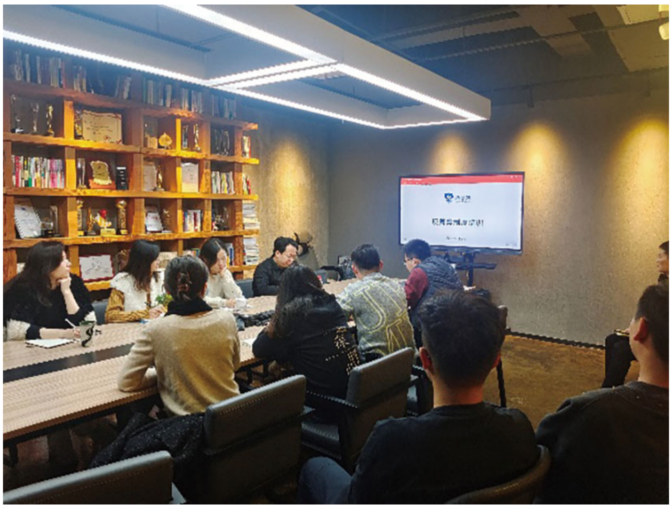
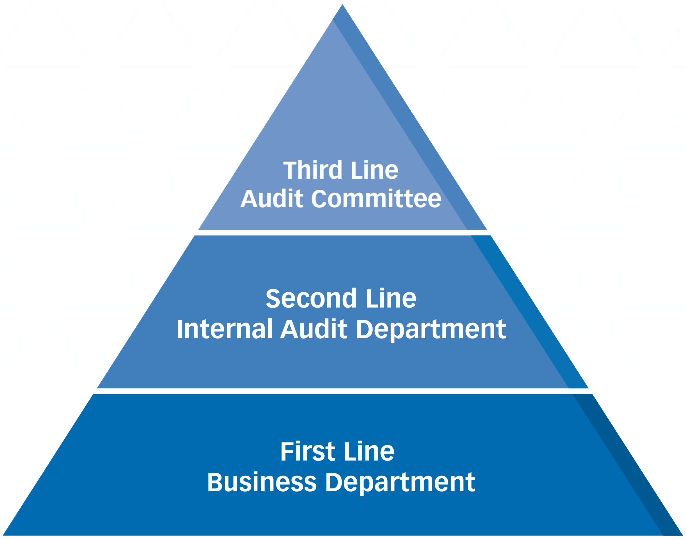


Photo: the Company's antifraud training in 2023

*8.7.2 Anti-money Laundering*

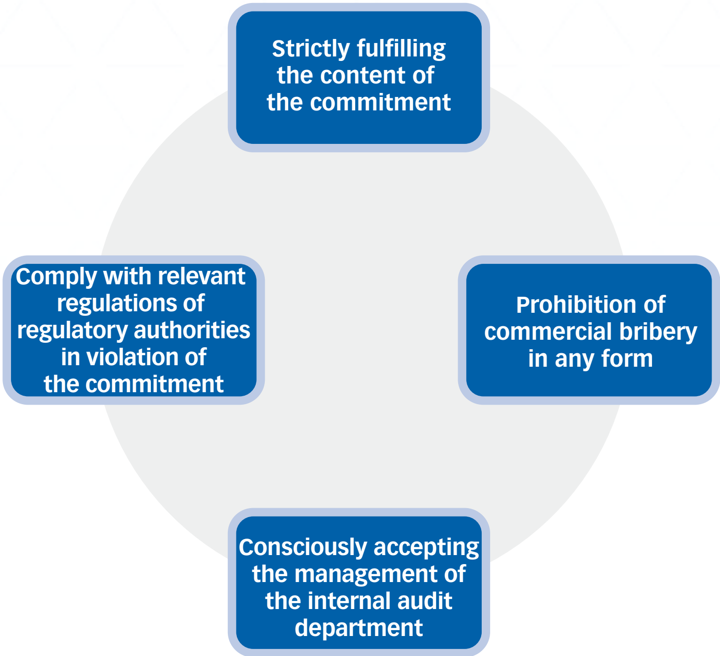
Pursuant to the Anti-money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and other laws and regulations, the Company formulated its anti-money laundering management measures and established the "Three lines of defense (3LoD)" (三道防線) anti-money laundering management structure, and encouraged all employees to take part and join hand in preventing money laundering and terrorist financing risks faced by the Company in the daily business process, and enhance the Company's ability to prevent money laundering risks.




Picture: the Company's three lines of defense against money laundering

*8.7.3 Anti-bribery*

The Company formulated the Anti-bribery Management System (《反賄賂管理制度》) to regulate the behavior of employees involved in money-related activities such as content procurement, business sales, equipment procurement and maintenance, and personnel, financial and material management processes. The commercial bribery prevention commitment system was put in place for personnel in key processes and key positions. Those in important positions shall sign the Commitment to Prevent Commercial Bribery (《預防商業賄賂承諾書》) with the Company.




Picture: Code of conduct and accountability

## 8.8 B8 Community Investment

*8.8.1 Public Welfare and Charity*

The Company adheres to its original intention of giving back to the society and strives to seek for ways for the coordinated development of commercial and social value. Therefore, it formulated the Guidelines on Community Influence (《社區影響力指引》), under which the Company actively participates in social welfare activities, fulfills its corporate social responsibility, takes part in community volunteer services, and encourages its employees to give back to the society through various ways such as blood donation and participation in volunteer activities, conveying their love to the society.

By leveraging on the advantage of the industry and of its own, the Company, as an active participant in social welfare activities, is committed to giving back to the society by organizing various welfare and charity activities. It assumes social responsibility, serves the community by advocating social welfare and provides care to unprivileged people in order to jointly create a caring social environment. In this regard, in 2022, the Company initiated the "Sunflower Care Project (關愛向日葵計劃)", by which it established a long-term relationship with a rehabilitation center for special children in Beijing to show our care for the special children's daily life, their diets, physical health, and mental health. During the Reporting Period, the Company encouraged its employees to actively participate in volunteer activities, providing material support and companionship for children. In addition, the Company, by using its influence on the entertainment and media industry, organized celebrities in the performance arts sector to visit rehabilitation centers to show their love to the special children. In order to encourage the creativity of the special children and gain more social attention and resource support for them, the Company introduced, by various ways, the pictures drawn by them to a wider group of people who genuinely care for the children's growth and to bring in more social attention to these children. The Company also purchased some of their paintings, which were used as the covers of its 2022 annual report and 2023 interim and annual reports.


Photos: the Company participating 2023 annual volunteer activities for "Sunflower Care Project"

In September 2023, the Company also encouraged its employees to participate in voluntary blood donation activities to show our support for the local blood bank.

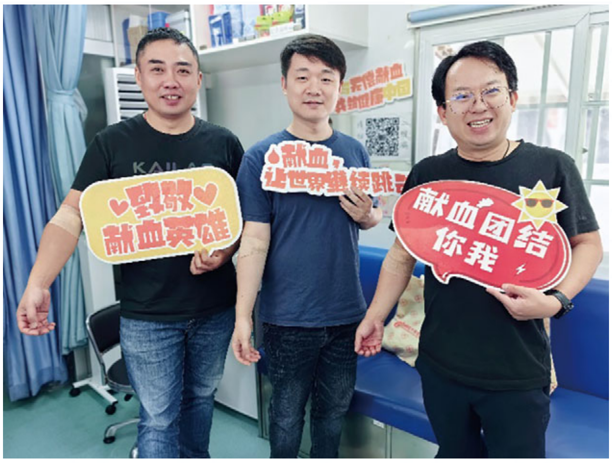



Photo: the Company's employees participating in blood donation activities in 2023

**Table: Volunteer Service of the Company in 2023**

| Indicator | Unit | 2023 |
|---|---|---|
| Total hours of employees' volunteer service[1] | Hour | 49 |
| Number of employees participated in volunteer service[1] | Person | 73 |

1 The total hours of employees' volunteer service and the number of employees participated in volunteer service include the hours of child-care volunteer services and voluntary blood donation as claimed by employees.

### *8.8.2 Guidance with Content*

The Company strives to deliver intrinsically motivated values and positive social energy to audience, and to advocate the values of social equality, peace and justice through its captivating drama series. The TV series *Never Too Late* (《我的助理不簡單》) broadcast in 2023 depicts the challenges that female office workers of different ages encounter in their career paths. It portrays the struggles of a career woman in balancing her family and her career, and touches the topics of social justice and gender issues in the workplace from a female perspective. The drama series, with its fresh character designs, shows the precious friendship beyond age, reflects in the form of drama the issues of urban renewal that currently attract the concern of the general public, shows affective ambivalence between love and hatred among people, and the easy-going attitude of the career women towards the resetting of their life goals and their courage in the face of challenges from daily life. *Never Give Up* (《今日宜加油》), by using a light-hearted and satirical style of dialogue, and a relaxed but slightly exaggerated performance, tells a story about the "fears" and "loves" of office workers in an "involution" era of the workplace and shows the joys and sorrows of the office workers when experiencing problems in, among others, career development, personal growth and acceptance or rejection of love. The funny story plot and comedic scripts of the drama series also help to relieve the work pressure of the office workers and triggers the audience to reshape a healthy workplace ecosystem with wisdom and concrete actions.

### *8.8.3 Community building*

During the Reporting Period, the Company was committed to promoting the dialogue and communication of the artist community. The Company continued to expand and strengthen its partnership with outstanding talents and artists in the industry, and enhance the stickiness of the cooperation between the Company and outstanding artists through various means such as organizing small sharing sessions, business/equity cooperation and equity incentives, in order to continuously attract talents in the industry and outstanding artists to join the Company's content ecosystem, and thus empowered the production of high-quality and innovative content.

Photo: Group photo after a sharing session for the film and television industry

## 8.9 B9 Diversity of Audience of Films and Drama Series

The Company has always put the expansion of its audience base, promotion of innovative content, improvement of production quality and enhancement of social responsibility of its works as the top priority of its drama production. In 2023, the Company continued to produce film and drama series of hybrid genres on the strength of, among others, its advantages in genre exploration, abundant resources on original works, and upstream-downstream cooperation. By data mining and data analysis, the Company carried out researches on audience profiles of various themes, sought to identify unmentioned topics of social concern and expanded its audience base of its film and drama series. It also made use of diversified communication platforms to actively meet the individual needs of its audience. For example, the TV series *Never Too Late* (《我的助理不簡單》), a mainstream urban emotional drama broadcast in 2023, told a story about how a career woman started her own business as an architect for old house renovation and her friendship with a man beyond her age range. This drama not only presented the audience with a familiar and eye-catching story plot they loved to watch, but also created buzzworthy topics and attracted a broader audience base. *You are Desire* (《白日夢我》), a youth-growth themed drama series, told a story about, in addition to the dream-pursuing by Generation Z, social topics such as blended family and cross-generation communication and expressed our thoughts in this regard. In this way, we can add more realistic meanings to our films and television works, and at the same time trigger a hot discussion about the communication between younger and elder generations on social media.

## 9 ESG PERFORMANCE

| Indicator Category | Performance Indicator | Unit | 2022 | 2023 |
|---|---|---|---|---|
| Environmental Performance | Total hazardous waste generation | Tonnes | 0.023 | 0.018 |
| | Total non-hazardous waste generation | Tonnes | 4.26 | 4.02 |
| | GHG emissions (Scope 1, Scope 2)[1] | Tonnes of $CO_2e$ | 35.54 | 35.01 |
| | Total energy consumption | Tonnes of standard coal equivalent | 12.90 | 12.73 |
| | Total water consumption | Tonnes | 1,310 | 1,100 |
| Social Performance | Total number of employees | Person | 65 | 71 |
| | Total turnover rate of employees | % | 16.9 | 15.5 |
| | Percentage of employees trained | % | 100 | 100 |
| | Average training hour per employee[2] | Hour | 12.0 | 11.6 |
| | Number of work-related fatalities | Person | 0 | 0 |
| | Total hours of employees' volunteer service | Hour | 30 | 49 |
| | Number of suppliers | Entity | 198 | 215 |
| Governance Performance | Percentage of female directors in the Board[3] | % | 33.3% | 25.0% |
| | Percentage of independent directors in the Board | % | 33.3% | 37.5% |
| | Number of general meetings held | Meeting | 3 | 1 |
| | Number of Board meetings held | Meeting | 5 | 4 |

1 The emission factors previously adopted for power grids by region are relatively lagged behind, as they cannot reflect the changes in China's regional energy structure. Therefore, since 2023, the Scope 2 emissions generated by purchased electricity have been calculated based on the emissions factors for national power grids issued by the Ministry of Ecology and Environment of the PRC (中國生態環境部) in 2023, and have been applied to the 2022 data retrospectively;

2 Average training hour per employee = total training hours/total number of employees;

3 The Company is still committed to achieving board diversity (including gender diversity) and it will continue to increase the percentage of female members if suitable candidates are identified in the future.

## 10 ESG INDICATOR INDEX

| Section of the Report | Environmental, Social and Governance Reporting Guide Index | Contribution to UN SDGs |
|---|---|---|
| ABOUT THIS REPORT | / | / |
| BOARD STATEMENT | / | / |
| ESG MANAGEMENT | / | / |
| ACTIVELY SUPPORTING SDGs | / | / |
| COMMUNICATION WITH STAKEHOLDERS | / | / |
| MATERIALITY ASSESSMENT | / | / |
| **A ENVIRONMENTAL RESPONSIBILITY** | | |
| A1 Emissions | A1.1, A1.2, A1.3, A1.4, A1.5, A1.6 | 13 CLIMATE ACTION |
| A2 Use of Resources | A2.1, A2.2, A2.3, A2.4, A2.5 | 13 CLIMATE ACTION |
| A3 The Environment and Natural Resources | A3.1 | 13 CLIMATE ACTION |
| A4 Climate Change | A4.1 | 13 CLIMATE ACTION |

| Section of the Report | Environmental, Social and Governance Reporting Guide Index | Contribution to UN SDGs |
|---|---|---|
| **B SOCIAL ASPECT** | | |
| B1 Employment | B1.1, B1.2 | 3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES |
| B2 Health and Safety | B2.1, B2.2, B2.3 | 3 GOOD HEALTH AND WELL-BEING |
| B3 Development and Training | B3.1, B3.2 | 4 QUALITY EDUCATION |
| B4 Labor Standards | B4.1, B4.2 | 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES |
| B5 Supply Chain Management | B5.1, B5.2, B5.3, B5.4 | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS |
| B6 Product Responsibility | B6.1, B6.2, B6.3, B6.4,B6.5 | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS |
| B7 Anti-corruption | B7.1, B7.2, B7.3 | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS |
| B8 Community Investment | B8.1, B8.2 | 3 GOOD HEALTH AND WELL-BEING; 10 REDUCED INEQUALITIES; 17 PARTNERSHIPS FOR THE GOALS |
| B9 Diversity of Audience for Films and Drama Series | / | / |

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period. All references in this section "Directors' Report" to other sections in this annual report form part of this section.

## GLOBAL OFFERING

On January 3, 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's Shares were listed on the Main Board of the Stock Exchange on January 15, 2021.

## PRINCIPAL ACTIVITIES

The Group is principally engaged in the PRC in (i) licencing of broadcasting rights of drama series to TV channels, online video platforms and third party distributors; and (ii) production of made-to-order drama series per online video platforms' orders.

The Company is an investment holding company and the principal businesses of its principal subsidiaries are set out in Note 1 to the financial statements.

A list of the Company's principal subsidiaries as of December 31, 2023, together with, among others, their dates and places of incorporation and particulars of their issued share capital, are set out in Note 1 to the financial statements in this annual report.

## BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, an analysis of the Group's financial performance, events affecting the Group that have occurred subsequent to the end of the financial year, and an indication of likely future development in the Group's business, are set out in the section headed "Management Discussion and Analysis" of this report. A description of the principal risks and uncertainties faced by the Group, key relationships between the Group and its employees, customers and suppliers, the environmental policies of the Group and compliance with the relevant laws and regulations which have significant impact are set out below.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group's results of operations are subject to various factors with the key risks summarised below:

- The Group's success depends, in a significant part, on the general prosperity and development of China's overall entertainment industry, and factors affecting the entertainment industry, especially the development of the drama series market, could have a material and adverse effect on the Group's business, financial condition and results of operations;

- iQIYI was the single largest customer in 2021, 2022 and 2023 of the Group. If the Group fails to maintain business relationship with iQIYI or if iQIYI loses its leading market position or popularity, the business, financial condition and results of operations of the Group could be materially and adversely affected;

- The Group's income is generally project-based and non-recurring in nature and a failure to obtain new contracts could materially affect the financial performance of the Group;

- The Group's financial performance for a particular period highly depends on a limited number of drama series and films projects during the same period, which may result in wide fluctuations of financial performance;

- The Group's success is primarily dependent on, among others, the popularity and audience acceptance of the drama series and films produced and/or distributed by the Group, which is random and difficult to predict, and the Group may not be able to respond effectively to changes in market trends;

- The production and distribution of drama series and films are extensively regulated in the PRC, and the Group's production and distribution of drama series and films are subject to various PRC laws, rules and regulations. The Group's failure to comply with existing laws, rules and regulations as well as evolving laws, rules and regulations could materially and adversely affect the business, financial condition and results of operations of the Group;

- The Group relies on major TV channels and top online video platforms for the distribution and broadcast of its drama series and films, with which the Group has limited bargaining power, and the loss of any one of them would materially and adversely affect the business, financial conditions, results of operations and prospects of the Group; and

- The production and distribution of drama series and films are subject to uncertainties. There is no guarantee that the production or distribution of the Group's drama series and films can be kept within budget and on schedule.

Since the above is not an exhaustive list, investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

For more details of other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" of the Prospectus.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

As a socially responsible corporation, the Group has endeavored to strictly comply with laws and regulations regarding environmental protection. During the Reporting Period, the businesses of the Group were in compliance with all the relevant laws and regulations with regard to environmental protection in all material aspects.

The Company recognises the importance of environmental protection and is committed to incorporating the protection of the ecological environment into the development plan of the Company. Thus, the Company has developed energy conservation and carbon reduction policy so as to minimise negative environmental impacts.

For more details, please refer to the section headed "Environmental, Social and Governance Report" of this report.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

## RESULTS AND FINAL DIVIDENDS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated financial statements of this report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2023. The Group is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

## RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including the substantial shareholders, employees, customers and suppliers.

### Shareholders

The Group recognises the importance of protecting the interests of the Shareholders and of having effective communication with them. The Group believes communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been and will be done through general meetings, corporate communications, interim and annual reports, results announcements, earnings calls, and providing official e-mail address on company's website to collect enquiries or information from its Shareholders.

### Employees

The Group understands that employees are its valuable assets, and the realisation and enhancement of employees' values will facilitate the achievement of the Group's overall goals. The Group has been endeavoring to provide its staff with competitive compensation packages, attractive promotion opportunities and a respectful and professional working environment. The Group contributes to social security insurance and housing provident funds for the employees in all material aspects in accordance with applicable PRC laws, rules and regulations. The Group provides the employees with holiday and birthday gifts, supplementary medical insurances, work anniversary souvenirs, professional trainings, psycho health guidance and annual health checkups. The Group also adopted RSU Schemes to reward the selected employees for their contribution to the growth and development of the Group. The Group will continue to attract and retain more talent and the new talent will be offered advancement through performance-based compensation packages, on-the-job training programs and promotion opportunities.

### Customers

The key customers of the Group include TV channels, online video platforms and third party distributors. The Group is committed to providing high-quality services and/or products to its customers and enhancing the loyalty of the customers by increasing the interaction with customers through communication and field visits from time to time in order to understand the customer demands, which provide good development to the Group's overall performance in the long run.

### Suppliers

The Group believes that its suppliers are equally important in providing high-quality services and/or products. The Group has maintained solid and good relationships with its suppliers which ensures quality supply so as to provide high quality services and/or products to customers.

For the year ended December 31, 2023, there was no significant and material dispute between the Group and its stakeholders.

## FINANCIAL SUMMARY

A summary of the Group's financial results, assets and liabilities for the last five financial years are set out on page 252 of this report. This summary does not form part of the audited consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

### Major Customers

For the year ended December 31, 2023, the Group's sales to its five largest customers accounted for 75.88% of the Group's total revenue, and the Group's sales to its largest customer accounted for 38.59% of the Group's total revenue.

### Major Suppliers

For the year ended December 31, 2023, the Group's purchases from its five largest suppliers accounted for 65.81% of the Group's total purchases, and the Group's purchases from its largest supplier accounted for 27.39% of the Group's total purchases.

Except for iQIYI, as of the date of this report, all of the Group's five largest customers and suppliers during the Reporting Period were Independent Third Parties. Except iQIYI, Mr. Wang Xiaohui and Ms. Liu Fan (each of Mr. Wang Xiaohui and Ms. Liu Fan is a Director and also holds office in iQIYI), none of the Directors, their respective associates or any Shareholder who owned more than 5% of the Company's issued share capital had any interest in any of the Group's five largest customers and suppliers.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group in 2023 are set out in Note 13 to the financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2023 are set out in Note 28 to the financial statements.

## RESERVES

Details of movements in the reserves of the Group in 2023 are set out on page 157 in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company's reserves available for distribution, amounted to approximately RMB1,300.8 million.

## TAX RELIEF AND EXEMPTION

The Company is not aware of any tax concession and exemption granted to Shareholders by virtue of their holding of securities in the Company.

## BANK AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2023 are set out in Note 26 to the financial statements.

## DIRECTORS

The Directors during the year ended December 31, 2023 and up to the date of this report are:

### Executive Directors
Mr. Liu Xiaofeng *(Chairman)*
Ms. Zhang Qiuchen *(resigned on May 4, 2023)*
Mr. Chen Chen
Ms. Zhai Fang

### Non-executive Directors
Mr. Wang Xiaohui
Ms. Liu Fan

### Independent Non-executive Directors
Mr. Ma Zhongjun
Mr. Zhang Senquan
Mr. Chung Chong Sun

## DIRECTORS (CONT'D)

In accordance with article 109(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Accordingly, Mr. Chen Chen, Ms. Zhai Fang and Ms. Liu Fan shall retire by rotation at the AGM, and they being eligible, will offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM will be set out in the circular to be despatched to the Shareholders in due course.

## BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

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

## SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the Directors (including non-executive Directors) has entered into a service contract or an appointment letter with the Company, under which they agreed to act as Directors for a term of three years commenced from June 9, 2023, which may be terminated by not less than one month's notice in writing served by either the Director or the Company.

The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the applicable Listing Rules.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## REMUNERATION POLICIES

As of December 31, 2023, the Group had 71 employees. For the year ended December 31, 2023, total staff remuneration expenses (including Directors' remuneration) amounted to approximately RMB44.5 million, as compared to approximately RMB41.1 million for the same period in 2022. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions made by the Group, performance-based compensation, discretionary bonus, RSUs granted to selected employees and supplemental medical insurances. These emoluments are covered by respective service contracts of each of the directors. The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

The Group believes it has maintained good relationships with its employees. The employees are not represented by a labor union. As of the date of this report, the Group did not experience any strikes or any labor disputes with its employees which have had or are likely to have a material effect on its business.

The employees of the Group typically enter into standard employment contracts with a confidentiality clause and non-competition agreements with the Group. The Group places high value on recruiting, training and retaining its employees. The Group maintains high recruitment standards and provides competitive compensation packages. Remuneration packages for its employees mainly comprise base salary and bonus. The Group also provides both in-house and external trainings for its employees to improve their skills and knowledge. The Group also adopted Pre-IPO Share Option Scheme and RSU Schemes to reward the selected employees for their contribution to the growth and development of the Group.

The Group contributes to housing provident funds and various employee social security insurance that are organised by applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury and unemployment insurance, under which the Group makes contributions at specified percentages of the salaries of employees in accordance with applicable PRC laws, rules and regulations.

For details of the Directors and the five highest paid individuals during the Reporting Period, please refer to Notes 8 and 9 to the financial statements. For details of the remuneration of the senior management of the Group during the Reporting Period, please refer to pages 197 to 200 of this annual report.

## PENSION SCHEMES

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

No forfeited contribution (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) is available to be utilised by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the pension scheme.

Details of the Company's pension schemes are set out in Note 2.4 to the financial statements.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the Reporting Period.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of the date of this report, Mr. Wang Xiaohui held directorships in certain companies engaging in producing and/or distributing drama series, including Horgos Eternity Pictures Co., Ltd. (霍爾果斯萬年影業有限公司), Beijing Huaxi Taihe Film Co., Ltd. (北京華熙泰和影視有限公司), Beijing Haidong Mingri Film Culture Communication Co., Ltd. (北京海東明日影視文化傳播有限公司), Beijing Chinese Miracle Culture Technology Co., Ltd. (北京中文奇蹟文化科技有限公司), Dongyang Liubai Film Culture Co., Ltd. (東陽留白影視文化有限公司), Hainan Huoyubai Film Culture Media Co., Ltd. (海南火羽白影視文化傳媒有限公司), Xiamen Taiyang Mingshan Film Culture Co., Ltd. (廈門泰洋明山影視文化有限公司) and Beijing Xinliliang Film Culture Co., Ltd. (北京新力量影視文化有限公司). Mr. Wang Xiaohui was not involved in the daily management and operation of the Company and the aforementioned companies. As such, the directorships held by Mr. Wang would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Save as disclosed above, as of December 31, 2023, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, none of the Directors or their connected entities had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period or subsist as of December 31, 2023.

## INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of December 31, 2023, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

### Interests in the Shares and underlying Shares of the Company

| Name of Director | Nature of interest | Number of Shares[(1)] | Number of underlying Shares | Approximate percentage of shareholding[(1)] |
|---|---|---|---|---|
| Mr. Liu | Founder of a discretionary trust[(2)] | 296,127,200 | 32,000,800 | |
| | Interest held through voting powers entrusted by other persons[(3)] | 109,520,000 | | |
| | | 437,648,000 | | 62.49% |
| Ms. Zhai | Founder of a discretionary trust[(4)] | 32,000,000 | | 4.57% |

*Notes:*

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as of December 31, 2023, being 700,394,200 Shares (without taking into account the Shares which may be allotted and issued upon the exercise of the outstanding Pre-IPO Share Options).

(2) Leading Glory is owned as to (i) 99% by Master Genius, the holding vehicle used by Family Trust Singapore, the trustee of the LXF Family Trust which is a discretionary trust established by Mr. Liu as the settlor and protector and Mr. Liu's wholly-owned holding company Master Sagittarius as the beneficiary; and (ii) 1% by Master Sagittarius which is wholly owned by Mr. Liu. Accordingly, each of Master Sagittarius, Master Genius and Mr. Liu is deemed to be interested in all the Shares held by Leading Glory.

Gorgeous Horizon, being the beneficial owner of the outstanding Pre-IPO Share Options, is wholly owned by Success Tale which is wholly owned by Employee Trust Hong Kong, the trustee of the Strawbear Employee Trust. The Strawbear Employee Trust is a discretionary trust established by Mr. Liu as the settlor and protector and Mr. Liu's wholly-owned holding company Master Sagittarius as the beneficiary. On May 12, 2022 and May 12, 2023, 1,882,400 Shares and 3,764,800 Shares were issued to Gorgeous Horizon, respectively, upon the exercise of the Pre-IPO Share Options by Mr. Liu under the Pre-IPO Share Option Scheme. As of December 31, 2023, the number of Shares underlying the outstanding Pre-IPO Share Options held by Gorgeous Horizon is 32,000,800 Shares.

(3) Pursuant to the Voting Arrangement Agreements, Mr. Liu, Master Sagittarius and Leading Glory are able to exercise voting rights entrusted from the other signing parties and are therefore deemed to be interested in the shareholding interest in the Company held by the other signing parties by virtue of the SFO. For further details, see "History, Reorganisation and Corporate Development – Voting Arrangement and Lock-up Arrangements" in the Prospectus.

(4) Golden Basin is owned as to (i) 99% by Smart Century, the holding vehicle used by Family Trust Singapore, the trustee of the Gold Fish Trust which is a discretionary trust established by Ms. Zhai as the settlor and protector and Ms. Zhai's wholly-owned holding company Gold Fish as the beneficiary; and (ii) 1% by Gold Fish which is wholly owned by Ms. Zhai. Accordingly, each of Gold Fish, Smart Century and Ms. Zhai is deemed to be interested in all the Shares held by Golden Basin.

## INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONT'D)

### Interests in the associated corporation

| Name of Director | Nature of interest | Name of associated corporation[1] | Approximate percentage of shareholding |
|---|---|---|---|
| Mr. Liu | Beneficial owner | Jiangsu Strawbear | 77.9% |
| | Interest held through voting powers entrusted by other persons[2] | Jiangsu Strawbear | 22.1% |
| Ms. Zhai | Beneficial owner | Jiangsu Strawbear | 0.1% |

*Notes:*

(1) Jiangsu Strawbear is deemed as a subsidiary of the Company under the Contractual Arrangements, and therefore is an associated corporation of the Company by virtue of the SFO.

(2) Pursuant to the Voting Arrangement Agreements, Mr. Liu is able to exercise voting rights entrusted from the other signing parties and is therefore deemed to be interested in the shareholding interest in Jiangsu Strawbear held by the other signing parties by virtue of the SFO. For further details, see "History, Reorganisation and Corporate Development – Voting Arrangement and Lock-up Arrangements" in the Prospectus.

Save as disclosed above, as of December 31, 2023, so far as it was known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the 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 taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

As of December 31, 2023 or at any time during the Reporting Period, none of the Company or any of its subsidiaries is a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

## CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Save as disclosed in this report, there have been no changes in information of Directors and chief executive of the Company since the publication of the 2023 interim report up to the date of this report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## INTERESTS AND SHORT POSITIONS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As of December 31, 2023, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

| Name of Shareholder | Nature of interest | Number of Shares held[(1)] | Approximate percentage of shareholding[(1)] |
|---|---|---|---|
| Master Sagittarius | Beneficiary of trust[(2)] | 328,128,000 | 46.85% |
| Master Genius | Interest in a controlled corporation[(2)] | 290,480,000 | 41.47% |
| Leading Glory | Beneficial interest[(2)(3)] | 290,480,000 | 41.47% |
| Gorgeous Horizon | Beneficial interest[(2)] | 37,648,000 | 5.38% |
| Success Tale | Interest in a controlled corporation[(2)] | 37,648,000 | 5.38% |
| Employee Trust Hong Kong | Trustee[(2)] | 37,648,000 | 5.38% |
| Ms. Liu | Founder of a discretionary trust[(4)] | 73,600,000 | 10.51% |
| Gold Pisces | Beneficiary of trust[(4)] | 73,600,000 | 10.51% |
| Beyond Vast | Interest in a controlled corporation[(4)] | 73,600,000 | 10.51% |
| Glesason Global | Beneficial interest[(4)] | 73,600,000 | 10.51% |
| Taurus Holding | Beneficial interest[(5)] | 97,320,000 | 13.90% |
| iQIYI | Interest in a controlled corporation[(5)] | 97,320,000 | 13.90% |
| Baidu Holdings Limited | Interest in a controlled corporation[(5)] | 97,320,000 | 13.90% |
| Baidu, Inc. | Interest in a controlled corporation[(5)] | 97,320,000 | 13.90% |
| Li Yanhong | Interest in a controlled corporation[(5)] | 97,320,000 | 13.90% |
| Family Trust Singapore | Trustee[(2)] | 290,480,000 | |
| | Trustee[(4)] | 73,600,000 | |
| | Trustee[(6)] | 32,000,000 | |
| | | 396,080,000 | 56.55% |

*Notes:*

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as of December 31, 2023, being 700,394,200 Shares (without taking into account the Shares which may be allotted and issued upon the exercise of the outstanding Pre-IPO Share Options).

(2) Leading Glory is owned as to (i) 99% by Master Genius, the holding vehicle used by Family Trust Singapore, the trustee of the LXF Family Trust which is a discretionary trust established by Mr. Liu as the settlor and protector and Mr. Liu's wholly-owned holding company Master Sagittarius as the beneficiary; and (ii) 1% by Master Sagittarius which is wholly owned by Mr. Liu. Accordingly, each of Master Sagittarius, Master Genius and Mr. Liu is deemed to be interested in all the Shares held by Leading Glory.

Gorgeous Horizon, being the beneficial owner of the outstanding Pre-IPO Share Options, is wholly owned by Success Tale which is wholly owned by Employee Trust Hong Kong, the trustee of the Strawbear Employee Trust. The Strawbear Employee Trust is a discretionary trust established by Mr. Liu as the settlor and protector and Mr. Liu's wholly-owned holding company Master Sagittarius as the beneficiary. On May 12, 2022 and May 12, 2023, 1,882,400 Shares and 3,764,800 Shares were issued to Gorgeous Horizon, respectively, upon the exercise of the Pre-IPO Share Options by Mr. Liu under the Pre-IPO Share Option Scheme. As of December 31, 2023, the number of Shares underlying the outstanding Pre-IPO Share Options held by Gorgeous Horizon is 32,000,800 Shares.

## INTERESTS AND SHORT POSITIONS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (CONT'D)

*Notes: (cont'd)*

(3) Pursuant to the Voting Arrangement Agreements, Leading Glory is able to exercise voting rights entrusted from the other signing parties and is therefore deemed to be interested in the shareholding interest in the Company held by the other signing parties by virtue of the SFO. For further details, see "History, Reorganisation and Corporate Development – Voting Arrangement and Lock-up Arrangements" in the Prospectus.

(4) Glesason Global is owned as to (i) 99% by Beyond Vast, the holding vehicle used by Family Trust Singapore, the trustee of the LSS Family Trust which is a discretionary trust established by Ms. Liu as the settlor and protector and Ms. Liu's wholly-owned holding company Gold Pisces as the beneficiary; and (ii) 1% by Gold Pisces which is wholly owned by Ms. Liu. Accordingly, each of Gold Pisces, Beyond Vast and Ms. Liu is deemed to be interested in all the Shares held by Glesason Global.

(5) Taurus Holding is wholly owned by iQIYI, whose voting power is owned as to 89.2% by Baidu Holdings Limited, a wholly-owned subsidiary of Baidu, Inc. Baidu, Inc. is owned as to 59.3% by Li Yanhong. Therefore, each of iQIYI, Baidu Holdings Limited, Baidu, Inc. and Li Yanhong is deemed to be interested in the Shares directly held by Taurus Holding by virtue of the SFO.

(6) Golden Basin is owned as to (i) 99% by Smart Century, the holding vehicle used by Family Trust Singapore, the trustee of the Gold Fish Trust which is a discretionary trust established by Ms. Zhai as the settlor and protector and Ms. Zhai's wholly-owned holding company Gold Fish as the beneficiary; and (ii) 1% by Gold Fish which is wholly owned by Ms. Zhai. Accordingly, each of Smart Century, Gold Fish and Ms. Zhai is deemed to be interested in all the Shares held by Golden Basin.

Save as disclosed above, as of December 31, 2023, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## PRE-IPO SHARE OPTION SCHEME

The Company approved and adopted the Pre-IPO Share Option Scheme on May 11, 2020 to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Share Option Scheme shall be valid and effective for a period commencing on May 11, 2020 and ending on December 21, 2020, being the latest practicable date prior to the printing of the Prospectus for the purpose of ascertaining certain information contained in the Prospectus, after which no further options shall be offered or granted, but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme. For more details of the Pre-IPO Share Option Scheme, please refer to "D. Other Information – (1) Pre-IPO Share Option Scheme" of Appendix IV of the Prospectus of the Company and Note 30 to the financial statements.

## PRE-IPO SHARE OPTION SCHEME (CONT'D)

On May 11, 2020, an aggregate of 37,648,000 Pre-IPO Share Options, representing approximately 5.68% of the total number of Shares in issue as of the Listing Date and approximately 5.38% of the total number of Shares in issue as of the date of this report, had been conditionally granted to Mr. Liu, the founder of the Company, an executive Director and the chief executive officer of the Company, to recognise his significant contribution to the Group.

Details of movements of Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme during the Reporting Period are set out below:

| Name of grantee | Date of grant | Outstanding as of January 1, 2023 | Exercise price (per Share) | Exercised during the Reporting Period | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Outstanding as of December 31, 2023 |
|---|---|---|---|---|---|---|---|
| Mr. Liu | May 11, 2020 | 35,765,600[1] | US$0.000025 | 3,764,800[2][3] | – | – | 32,000,800 |

*Notes:*

(1) Subject to fulfillment or waiver of the conditions (if any) determined by the Board, the underlying Shares in respect of the Pre-IPO Share Options shall be vested in accordance with the vesting schedule set out below:

| Vesting date | Maximum percentage of underlying Shares in respect of the Pre-IPO Share Options may be vested |
|---|---|
| May 12, 2022 | 5% |
| May 12, 2023 | 10% |
| May 12, 2024 | 15% |
| May 12, 2025 | 30% |
| May 12, 2026 | 40% |

(2) The exercise period of the Pre-IPO Share Options shall be within 10 years from May 11, 2020.

(3) The closing price of the Shares immediately before the date on which the 3,764,800 Pre-IPO Share Options were exercised (being May 12, 2023) was HK$0.97.

## RSU SCHEMES

### 2021 RSU Scheme

On September 15, 2021, the Company adopted the 2021 RSU Scheme. The following is a summary of the principal terms of the 2021 RSU Scheme. For further details of the 2021 RSU Scheme, please refer to the announcement of the Company dated September 15, 2021.

*Purpose*

The purpose of the 2021 RSU Scheme is to (i) reward the Selected Participants for their contributions to the growth and development of the Group and to give incentives thereto in order to retain them for the continual development and long-term strategic goals of the Group; and (ii) provide additional rewards to top artists, who are scarce resources in the industry and play an important role in the production of drama series projects of the Group, to effectively motivate the artists who have long-term relationship with the Group, and to further attract talents and top artists in the industry, so as to promote the development of the Company.

*Eligibility*

Eligible Participants of the 2021 RSU Scheme include (i) employees of the Company; (ii) senior management of subsidiaries of the Company; and (iii) business partners of the Group (including top artists such as directors, screenwriters, etc.) who the Board or the Committee or person(s) to which the Board has delegated its authority considers, in their sole discretion, have contributed or will contribute to the Group. No RSUs can be granted to any Excluded Person.

*Duration*

Subject to any early termination as may be determined by the Board, the 2021 RSU Scheme shall be valid and effective for a term of ten (10) years commencing from the date of adoption of the 2021 RSU Scheme (i.e. September 15, 2021), after which period no further RSUs shall be granted, but the 2021 RSU Scheme shall remain in full force and effect to the extent necessary to give effect to any RSUs granted prior to such expiry and the administration of the trust fund held by the Trustee pursuant to the trust deed.

The remaining life of the 2021 RSU Scheme is approximately 7.4 years.

*Grant and acceptance*

An offer to grant RSUs will be made to an Eligible Participant selected by the Board or the Committee by way of a Grant Letter, in such form as the Board or the Committee may determine. The Grant Letter will specify the name of the Selected Participant, the Grant Date, the number of RSUs to be granted, the vesting criteria and performance targets (if any), the vesting date and such other terms and conditions as the Board or the Committee may consider necessary.

Upon receipt of the Grant Letter, the Selected Participant shall confirm his/her acceptance of the grant by returning to the Company a notice of acceptance duly executed by him/her within five (5) business days after the Grant Date. Once accepted, the RSUs are deemed granted from the Grant Date.

## RSU SCHEMES (CONT'D)

### 2021 RSU Scheme (cont'd)

*Maximum number of underlying Shares*

The total number of Shares underlying the RSUs which can be granted pursuant to the 2021 RSU Scheme (excluding RSUs that have lapsed or been cancelled in accordance with the terms of the 2021 RSU Scheme) shall not exceed 20,639,010 Shares, representing approximately 3.00% of the total number of Shares in issue as of the date of adoption of the 2021 RSU Scheme (i.e. September 15, 2021) and approximately 2.95% of the total number of Shares in issue as of the date of this report.

*Vesting of RSUs*

Subject to the terms of the 2021 RSU Scheme, the Board or the Committee or person(s) to which the Board delegated its authority may from time to time while the 2021 RSU Scheme is in force and subject to all applicable laws, determine the vesting schedule and vesting conditions (including, without limitation, conditions as to performance criteria to be satisfied by the Selected Participant and/or the Company) for any grant of RSUs to any Selected Participant, which shall be stated in the Grant Letter.

Within a reasonable time after the vesting conditions (if any) and schedule have been fulfilled or waived, a vesting notice shall be sent to the relevant Selected Participant setting out, inter alias, (a) extent to which the vesting conditions (if any) and schedule have been fulfilled or waived; (b) the number of Shares the Selected Participants will receive; and (c) the lock-up arrangement or other restrictions for such Shares (if applicable).

Upon receipt of the vesting notice, the relevant Selected Participant (or his/her legal representative or lawful successor as the case may be) is required to return to the Company the reply slip attached to the vesting notice to confirm his/her securities account details for the purposes of effecting the transfer of the vested Shares to such Selected Participant or the nominee account by the Trustee.

The RSUs which have vested shall be satisfied within a reasonable period from the vesting date of such RSUs, either by: (a) the Board or the Committee or person(s) to which the Board delegated its authority directing and procuring the Trustee to transfer the Shares underlying the RSUs; and/or (b) the Board or the Committee or person(s) to which the Board delegated its authority directing and procuring the Trustee to sell, on-market at the prevailing market price, the number of Shares so vested in respect of the Selected Participant and pay the Selected Participant the proceeds in cash arising from such sale.

## RSU SCHEMES (CONT'D)

### 2021 RSU Scheme (cont'd)

*Details of the RSUs granted under the 2021 RSU Scheme*

On November 4, 2021, the Board resolved to grant an aggregate of 16,780,000 RSUs, representing 16,780,000 underlying Shares, to 59 Selected Participants (including employees of the Company, senior management of subsidiaries of the Company and business partners of the Group) at nil consideration pursuant to the 2021 RSU Scheme, all of which were accepted by the Grantees. On April 19, 2022, the Board resolved to further grant an aggregate of 3,859,000 RSUs, representing 3,859,000 underlying Shares, to six Selected Participants, who are business partners of the Group, at nil consideration pursuant to the 2021 RSU Scheme, all of which were accepted by the Grantees. On December 20, 2023, the Board resolved to further grant an aggregate of 464,000 RSUs, representing 464,000 underlying Shares, to one Selected Participant, who is a top director and a business partner of the Group, at nil consideration pursuant to the 2021 RSU Scheme, all of which were accepted by the Grantee. For details, please refer to the announcements of the Company dated November 4, 2021, April 19, 2022 and December 20, 2023.

As of the date of this report, the number of Shares underlying the outstanding RSUs granted under the 2021 RSU Scheme is 13,836,000 Shares, representing approximately 1.98% of the total number of Shares in issue. The number of RSUs available for grant under the 2021 RSU Scheme was 192,010 as of January 1, 2023 (without taking into account the RSUs lapsed on January 1, 2023) and 300,010 as of December 31, 2023, respectively. The number of Shares underlying the RSUs granted under the 2021 RSU Scheme during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is 0.07%.

Details of the RSUs granted pursuant to the 2021 RSU Scheme and the movements during the Reporting Period are set out below:

| Name/category of Grantee | Date of grant[1] | Number of Shares underlying the RSUs as of the date of grant | Vesting date and vesting condition | Closing price of the Shares immediately before the date on which the RSUs were granted | Number of Shares underlying the RSUs outstanding as of January 1, 2023 | Granted during the Reporting Period | Vested during the Reporting Period | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Number of Shares underlying the RSUs outstanding as of December 31, 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Employees | November 4, 2021 | 3,680,000 | Note 6 | HK$2.47 | 1,104,000 | – | 516,000[3] | 72,000 | – | 516,000 |
| Service Providers | November 4, 2021 | 13,100,000 | Note 7 | HK$2.47 | 13,100,000[2] | – | 1,450,000[4] | 500,000[2] | – | 11,150,000 |
| | April 19, 2022 | 3,859,000 | Note 8 | HK$4.03 | 3,859,000 | – | 253,000[5] | – | – | 3,606,000 |
| | December 20, 2023 | 464,000 | Note 9 | HK$0.48 | – | 464,000 | – | – | – | 464,000 |

*Notes:*

(1) All the RSUs were granted to the Grantees at nil consideration.

(2) With respect to the RSUs granted to the Service Providers on November 4, 2021, (i) the number of Shares underlying such RSUs outstanding as of January 1, 2023 does not take into account the RSUs lapsed on January 1, 2023; and (ii) the number of RSUs lapsed during the Reporting Period includes the number of RSUs lapsed on January 1, 2023.

(3) The closing price of the Shares immediately before the date on which the RSUs were vested was HK$0.50 per Share.

(4) The closing price of the Shares immediately before the date on which the RSUs were vested was HK$1.02 per Share.

## RSU SCHEMES (CONT'D)

### 2021 RSU Scheme (cont'd)

*Details of the RSUs granted under the 2021 RSU Scheme (cont'd)*

*Notes: (cont'd)*

(5) The closing price of the Shares immediately before the date on which the RSUs were vested was HK$1.00 per Share.

(6) 3,680,000 RSUs granted to the employees of the Group on November 4, 2021 shall vest in the Grantees in accordance with the below vesting schedule, subject to satisfaction of the vesting condition that the relevant Grantees remain Eligible Participants on the respective vesting dates:

i. in relation to 1,600,000 RSUs granted: the RSUs shall vest on November 11, 2021; and

ii. in relation to 2,080,000 RSUs granted: 20% of the RSUs shall vest on November 11, 2021, 20% of the RSUs shall vest on November 11, 2022, 30% of the RSUs shall vest on November 11, 2023, and 30% of the RSUs shall vest on November 11, 2024.

(7) 13,100,000 RSUs granted to the Service Providers on November 4, 2021 shall vest in the Grantees in accordance with the below vesting schedule:

i. in relation to 800,000 RSUs granted: 25% of the RSUs shall vest on January 25, 2023, January 25, 2024, January 25, 2025, and January 25, 2026, respectively, subject to satisfaction of the vesting condition that the profit of the company, for which the relevant Grantees were engaged as agents, remains at certain level;

ii. in relation to 3,000,000 RSUs granted: 50% of the RSUs shall vest on January 1, 2025, and 25% of the RSUs shall vest on January 1, 2026 and January 1, 2027, respectively, subject to satisfaction of the vesting condition that the relevant Grantee procures top actors to participate in the production of drama series of the Company;

iii. in relation to 4,800,000 RSUs granted: one-third of the RSUs shall vest on January 1, 2023, January 1, 2024, and January 1, 2025, respectively, subject to satisfaction of the vesting condition that certain drama series, for which the Grantees engaged by the Group to act as the screenwriter, producer or director shall be broadcast or start shooting by certain dates; and

iv. in relation to 4,500,000 RSUs granted: one-third of the RSUs shall vest on January 1, 2024, January 1, 2025, and January 1, 2026, respectively, subject to satisfaction of the vesting condition that certain drama series, for which the Grantees engaged by the Group to act as the screenwriter, producer or director shall be broadcast or start shooting by certain dates.

(8) 3,859,000 RSUs granted to the Service Providers on April 19, 2022 shall vest in the Grantees in accordance with the below vesting schedule, subject to satisfaction of the vesting condition that certain drama series, for which the Grantees engaged by the Group to act as the screenwriter, producer, executive producer or director shall be broadcast or start shooting by certain dates:

i. in relation to 759,000 RSUs granted: one-third of the RSUs shall vest on May 1, 2023, May 1, 2024, and May 1, 2025, respectively;

ii. in relation to 2,380,000 RSUs granted: one-third of the RSUs shall vest on May 1, 2024, May 1, 2025, and May 1, 2026, respectively; and

iii. in relation to 720,000 RSUs granted: one-third of the RSUs shall vest on May 1, 2025, May 1, 2026, and May 1, 2027, respectively.

(9) 464,000 RSUs granted to the Service Provider on December 20, 2023 shall vest in the Grantee on December 20, 2024 subject to the fulfillment of the vesting condition that certain drama series, for which the Grantee engaged by the Group to act as a director, shall be broadcast before December 20, 2024.

(10) For details of fair value of RSUs and the accounting standard and policy adopted in relation to and the basis of the measurement of fair value of RSUs, please refer to Note 30 to the financial statements in this report.

## RSU SCHEMES (CONT'D)

### 2022 RSU Scheme

On April 28, 2022, the Company adopted the 2022 RSU Scheme. The following is a summary of the principal terms of the 2022 RSU Scheme. For further details of the 2022 RSU Scheme, please refer to the announcement of the Company dated April 28, 2022.

*Purpose*

The purpose of the 2022 RSU Scheme is to (i) reward the Selected Participants for their contributions to the growth and development of the Group and to give incentives thereto in order to retain them for the continual development and long-term strategic goals of the Group; and (ii) provide additional rewards to significant business partners, who are scarce resources in the industry and play an important role in the business operations of the Group, to effectively motivate the business partners who have long-term relationship with the Group, and to further attract talents and top artists in the industry, so as to promote the development of the Company.

*Eligibility*

Eligible Participants of the 2022 RSU Scheme include (i) employees of the Company; (ii) senior management of subsidiaries of the Company; and (iii) business partners of the Group (including top artists such as directors, screenwriters, producers, etc.) who the Board or the Committee or person(s) to which the Board has delegated its authority considers, in their sole discretion, have contributed or will contribute to the Group. No RSUs will be granted to any Excluded Person.

*Duration*

Subject to any early termination as may be determined by the Board, the 2022 RSU Scheme shall be valid and effective for a term of ten (10) years commencing from the date of adoption of the 2022 RSU Scheme (i.e. April 28, 2022), after which period no further RSUs shall be granted, but the 2022 RSU Scheme shall remain in full force and effect to the extent necessary to give effect to any RSUs granted prior to such expiry and the administration of the trust fund held by the Trustee pursuant to the trust deed.

The remaining life of the 2022 RSU Scheme is approximately 8.0 years.

*Grant and acceptance*

An offer to grant RSUs will be made to an Eligible Participant selected by the Board or the Committee by way of a Grant Letter, in such form as the Board or the Committee may determine. The Grant Letter will specify the name of the Selected Participant, the Grant Date, the number of RSUs to be granted, the vesting criteria and performance targets (if any), the vesting date and such other terms and conditions as the Board or the Committee may consider necessary.

Upon receipt of the Grant Letter, the Selected Participant shall confirm his/her acceptance of the grant by returning to the Company a notice of acceptance duly executed by him/her within five (5) business days after the Grant Date. Once accepted, the RSUs are deemed granted from the Grant Date.

## RSU SCHEMES (CONT'D)

### 2022 RSU Scheme (cont'd)

*Maximum number of underlying Shares*

The total number of Shares underlying the RSUs which can be granted pursuant to the 2022 RSU Scheme (excluding RSUs that have lapsed in accordance with the terms of the 2022 RSU Scheme) shall not exceed 20,842,410 Shares, representing 3.00% of the total number of Shares in issue as of the date of adoption of the 2022 RSU Scheme (i.e. April 28, 2022) and approximately 2.98% of the total number of Shares in issue as of the date of this report.

*Vesting of RSUs*

Subject to the terms of the 2022 RSU Scheme, the Board or the Committee or person(s) to which the Board delegated its authority may from time to time while the 2022 RSU Scheme is in force and subject to all applicable laws, determine the vesting schedule and vesting conditions (including, without limitation, conditions as to performance criteria to be satisfied by the Selected Participant and/or the Company) for any grant of RSUs to any Selected Participant, which shall be stated in the Grant Letter.

Within a reasonable time after the vesting conditions (if any) and schedule have been fulfilled or waived, a vesting notice shall be sent to the relevant Selected Participant setting out, inter alias, (a) extent to which the vesting conditions (if any) and schedule have been fulfilled or waived; (b) the number of Shares the Selected Participants will receive; and (c) the lock-up arrangement or other restrictions for such Shares (if applicable).

Upon receipt of the vesting notice, the relevant Selected Participant (or his/her legal representative or lawful successor as the case may be) is required to return to the Company the reply slip attached to the vesting notice to confirm his/her securities account details for the purposes of effecting the transfer of the vested Shares to such Selected Participant or the nominee account by the Trustee.

The RSUs which have vested shall be satisfied within a reasonable period from the vesting date of such RSUs, either by: (a) the Board or the Committee or person(s) to which the Board delegated its authority directing and procuring the Trustee to transfer the Shares underlying the RSUs; and/or (b) the Board or the Committee or person(s) to which the Board delegated its authority directing and procuring the Trustee to sell, on-market at the prevailing market price, the number of Shares so vested in respect of the Selected Participant and pay the Selected Participant the proceeds in cash arising from such sale.

## RSU SCHEMES (CONT'D)

### 2022 RSU Scheme (cont'd)

*Details of the RSUs granted under the 2022 RSU Scheme*

On April 28, 2022, the Board resolved to grant an aggregate of 6,141,000 RSUs, representing 6,141,000 underlying Shares, to 21 Selected Participants, who are employees of the Group, at nil consideration pursuant to the 2022 RSU Scheme, all of which were accepted by the Grantees. On November 14, 2022, the Board resolved to grant an aggregate of 310,000 RSUs, representing 310,000 underlying Shares, to one Selected Participant, who is a top screenwriter and a business partner of the Group, at nil consideration pursuant to the 2022 RSU Scheme, all of which were accepted by the Grantee. For details, please refer to the announcements of the Company dated April 28, 2022 and November 14, 2022.

As of the date of this report, the number of Shares underlying the outstanding RSUs granted under the 2022 RSU Scheme is 4,084,600 Shares, representing approximately 0.58% of the total number of Shares in issue. The number of RSUs available for grant under the 2022 RSU Scheme was 14,391,410 as of January 1, 2023 and 14,791,410 as of December 31, 2023, respectively.

Details of the RSUs granted pursuant to the 2022 RSU Scheme and the movements during the Reporting Period are set out below:

| Name/category of Grantee | Date of grant[1] | Number of Shares underlying the RSUs as of the date of grant | Vesting date and vesting condition | Closing price of the Shares immediately before the date on which the RSUs were granted | Number of Shares underlying the RSUs outstanding as of January 1, 2023 | Granted during the Reporting Period | Vested during the Reporting Period | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Number of Shares underlying the RSUs outstanding as of December 31, 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Employees | April 28, 2022 | 6,141,000 | Note 4 | HK$3.90 | 5,332,800 | – | 848,200[2] | 400,000 | – | 4,084,600 |
| Service Provider | November 14, 2022 | 310,000 | Note 5 | HK$0.66 | 310,000 | – | 310,000[3] | – | – | – |

## RSU SCHEMES (CONT'D)

### 2022 RSU Scheme (cont'd)

*Details of the RSUs granted under the 2022 RSU Scheme (cont'd)*

*Notes:*

(1) All the RSUs were granted to the Grantees at nil consideration.

(2) The closing price of the Shares immediately before the date on which the RSUs were vested is HK$0.50.

(3) The closing price of the Shares immediately before the date on which the RSUs were vested is HK$1.00.

(4) 6,141,000 RSUs granted to the employees of the Group on April 28, 2022 shall vest in the Grantees in accordance with the below vesting schedule, subject to satisfaction of the vesting condition that the relevant Grantees remain Eligible Participants on the respective vesting dates:

  i. in relation to 668,200 RSUs granted: the RSUs shall vest on May 20, 2022;

  ii. in relation to 140,000 RSUs granted: the RSUs shall vest on November 11, 2022;

  iii. in relation to 948,200 RSUs granted: the RSUs shall vest on November 11, 2023;

  iv. in relation to 1,422,300 RSUs granted: the RSUs shall vest on November 11, 2024;

  v. in relation to 1,562,300 RSUs granted: the RSUs shall vest on November 11, 2025;

  vi. in relation to 700,000 RSUs granted: the RSUs shall vest on November 11, 2026; and

  vii. in relation to 700,000 RSUs granted: the RSUs shall vest on November 11, 2027.

(5) The 310,000 RSUs granted to such Service Provider shall vest on May 1, 2023, subject to satisfaction of the vesting condition that certain drama series, for which the Grantee engaged by the Group to act as the screenwriter, shall be broadcast before May 1, 2023.

(6) For details of the accounting standard and policy adopted in relation to and the basis of the measurement of fair value of RSUs, please refer to Note 30 to the financial statements in this report.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Reporting Period or subsisted as of December 31, 2023.

## CONNECTED TRANSACTIONS

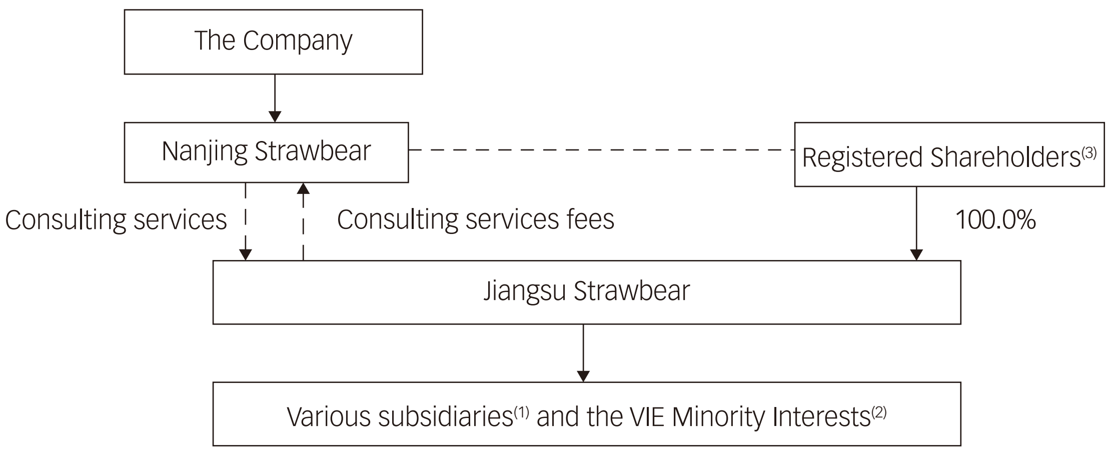
Pursuant to the requirements of the Listing Rules, the transactions between the Company and its connected persons constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Listing Rules. The followings are the non-exempt connected transactions conducted by the Group during the Reporting Period.

### Contractual Arrangements

The Group conducts the drama series and web films production and distribution business in the PRC (the "**Relevant Businesses**") through the Consolidated Affiliated Entities which hold the requisite licences and permits, including the Radio and Television Programs Production and Operation Permit (《廣播電視節目製作經營許可證》) and the Television Drama Production Permit (Class A) (《電視劇製作許可證（甲種）》) (the "**Relevant Licences**"). Under the applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in any enterprise conducting the production and operation (including distribution) of drama series including made-for-internet programs. Please refer to the section headed "Regulatory Overview – Regulations in Relation to Production and Distribution of Television Programmes" in the Prospectus for further details.

In order for the Group to conduct the Relevant Businesses in compliance with the applicable PRC laws and regulations, as part of the Reorganisation, Nanjing Strawbear entered into the Contractual Arrangements with Jiangsu Strawbear and the Registered Shareholders (as defined below) on November 20, 2018, which were amended and restated on February 20, 2019, pursuant to which the Group is able to assert management control over the operations of the Consolidated Affiliated Entities and is entitled to all the economic benefits derived from their operations.

The following simplified diagram illustrates the flow of economic benefits from the Group's Consolidated Affiliated Entities to the Group stipulated under the Contractual Arrangements:



## CONNECTED TRANSACTIONS (CONT'D)

### Contractual Arrangements (cont'd)

*Notes:*

→ denotes legal and beneficial ownership in the equity interest.

- -► denotes contractual relationship.

– – denotes the control by Nanjing Strawbear over the Consolidated Affiliated Entities through (i) powers of attorney to exercise all shareholders' rights in Jiangsu Strawbear, (ii) exclusive options to acquire all or part of the equity interests in Jiangsu Strawbear and (iii) equity pledges over the equity interest in Jiangsu Strawbear.

(1) These include Horgos Strawbear, Beijing Strawbear, Hainan Magic Stone Film and Television Media Co., Ltd. (海南魔石影視傳媒有限公司), Hainan Yiming Cultural Media Technology Co., Ltd. (海南翼鳴文化傳媒科技有限公司), Hainan Jiujun Audio-visual Communication Co., Ltd. (海南九珺視聽傳播有限公司), Hainan Xuxuxing Cultural Media Technology Co., Ltd. (海南徐徐行文化傳媒科技有限公司), Hangzhou Yide Cultural Creativity Co., Ltd. (杭州懿德文化創意有限公司) ("**Hangzhou Yide**"), Beijing Hechuang Xinshi Culture Media Co., Ltd. (北京合創新世文化傳媒有限公司), Sichuan Hongluzi Film Co., Ltd. (四川紅爐子影業有限公司), Hangzhou Xiaobaiyang Film and Television Co., Ltd. (杭州小白楊影視有限公司), Zhejiang Xiangliangliang Film and Television Cultural Co., Ltd. (浙江響亮亮影視文化有限公司) ("**Zhejiang Xiangliangliang**") and Shanghai Honghonghuohuo Film Co., Ltd. (上海弘弘火火影業有限公司) ("**Shanghai Honghonghuohuo**"). Zhejiang Xiangliangliang and Shanghai Honghonghuohuo were all established in 2023. Hangzhou Yide, which was previously an indirectly wholly-owned subsidiary of the Company, was acquired by Jiangsu Strawbear and became a Consolidated Affiliated Entity on January 2, 2023.

(2) These refer to the 15.0% equity interest in Wuxi Wuyi Cultural Media Co., Ltd. (無錫無一文化傳媒有限公司), 15.0% equity interest in Shanghai Paihaoxi Film Co., Ltd. (上海拍好戲影業有限公司) ("**Shanghai Paihaoxi**"), 25.0% equity interest in Zhejiang Dongyang Chestnutbear Film and Television Cultural Co., Ltd. (浙江東陽栗子熊影視文化有限公司), 20.0% equity interest in Hainan Dongzhen Cultural Media Technology Co., Ltd. (海南東震文化傳媒科技有限公司), 20.0% equity interest in Jingling Cultural Media (Hainan) Co., Ltd. (鯨靈文化傳媒（海南）有限公司) and 49.0% equity interest in Hainan Miduoqi Entertainment Co., Ltd. (海南米多奇娛樂有限公司) held by Jiangsu Strawbear (the "**VIE Minority Interests**"). Shanghai Paihaoxi was established by Jiangsu Strawbear in 2023.

(3) As of the date of this report, Jiangsu Strawbear was held as to 100.0% by the following persons (collectively, the "**Registered Shareholders**"):

| Shareholder | Registered capital (RMB) | Percentage of shareholding |
|---|---|---|
| Mr. Liu | 7,790,000 | 77.9% |
| Ms. Liu | 2,000,000 | 20.0% |
| Ms. Zhao | 100,000 | 1.0% |
| Ms. Zhang | 100,000 | 1.0% |
| Ms. Zhai | 10,000 | 0.1% |
| **Total** | **10,000,000** | **100.0%** |

## CONNECTED TRANSACTIONS (CONT'D)

### Contractual Arrangements (cont'd)

*Summary of the Material Terms of the Contractual Arrangements*

A brief description of the specific agreements that comprise the Contractual Arrangements is set out below. For details of the specific agreements, please refer to the section headed "Contractual Arrangements" of the Prospectus.

(1) Exclusive Business Cooperation Agreement

Nanjing Strawbear and Jiangsu Strawbear entered into an exclusive business cooperation agreement on November 20, 2018 which was amended and restated on February 20, 2019 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which, in exchange for a service fee, Nanjing Strawbear agreed to provide Jiangsu Strawbear and its controlled subsidiaries with comprehensive management consulting services, including but not limited to:

- providing technical support and business consultation services;
- providing brand placement marketing agent and marketing consultation services;
- providing intellectual properties licencing;
- providing human resource management services;
- providing financial support permitted under applicable PRC laws and regulations; and
- other services reasonably requested by Jiangsu Strawbear and its controlled subsidiaries, permitted under applicable PRC laws and regulations.

The service fees under the Exclusive Business Cooperation Agreement shall consist of 100.0% of the total consolidated profits of Jiangsu Strawbear and its controlled subsidiaries under HKFRS, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions, and Nanjing Strawbear has the right to adjust the service fees at any time based on the complexity, actual time required, content and commercial value of the services provided to Jiangsu Strawbear and market price of services of the same nature.

The Exclusive Business Cooperation Agreement shall be effective upon execution and shall remain valid for ten (10) years. Subject to compliance with the Listing Rules, the Exclusive Business Cooperation Agreement shall be automatically renewed for a term of ten (10) years upon its expiration, unless terminated in accordance with the terms therein.

## CONNECTED TRANSACTIONS (CONT'D)

### Contractual Arrangements (cont'd)

*Summary of the Material Terms of the Contractual Arrangements (cont'd)*

(2) Exclusive Option Agreement

Nanjing Strawbear, Jiangsu Strawbear and the Registered Shareholders entered into an exclusive option agreement on November 20, 2018 which was amended and restated on February 20, 2019 (the "**Exclusive Option Agreement**"), pursuant to which Nanjing Strawbear (or its designees) was granted an irrevocable, unconditional and exclusive right (the "**Exclusive Option Rights**") to purchase from the Registered Shareholders all or any part of their equity interests in Jiangsu Strawbear for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, the Registered Shareholders shall return any amount of the purchase price they have received to Nanjing Strawbear or its designees. Upon receiving the notice issued by Nanjing Strawbear (or its designees) to exercise their Exclusive Option Rights (the "**Notice**"), the Registered Shareholders and Jiangsu Strawbear will take all necessary actions to engage in and complete the approval, filing, or registration procedures with regulatory authorities without any delay, so that the relevant equity interest in Jiangsu Strawbear as set out in the Notice, without any security interest attached to them, can be effectively registered under the name of Jiangsu Strawbear (or its designees).

Should the events of default (as provided in the Exclusive Option Agreement) by Jiangsu Strawbear or the Registered Shareholders occur, unless otherwise required by PRC laws and regulations, Nanjing Strawbear shall have the right to terminate the Exclusive Option Agreement and require Jiangsu Strawbear or the Registered Shareholders to compensate for the damages.

(3) Equity Pledge Agreement

Nanjing Strawbear, Jiangsu Strawbear and the Registered Shareholders entered into an equity pledge agreement on November 20, 2018 which was amended and restated on February 20, 2019 (the "**Equity Pledge Agreement**"), pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interest in Jiangsu Strawbear to guarantee the performance of the obligation of, and the representations, undertakings, and warrants provided by Jiangsu Strawbear and the Registered Shareholders under the Contractual Arrangements.

The pledge under the Equity Pledge Agreement shall take effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until the earlier of: (i) the last secured debt and contractual obligations guaranteed by the pledge are fully paid and fulfilled; (ii) Nanjing Strawbear decides to purchase all the equity interests of Jiangsu Strawbear held by the Registered Shareholders in accordance with the Exclusive Option Agreement permitted by PRC law, the Registered Shareholders' equity interests Jiangsu Strawbear has been transferred to Nanjing Strawbear and/or its designated party, and Nanjing Strawbear, its subsidiaries and branches can legally engage in the business of Jiangsu Strawbear; (iii) Nanjing Strawbear unilaterally requests to terminate this agreement; and (iv) termination in accordance with applicable PRC laws and regulations. The registration of the pledge of equity interests has been completed as of April 2020 in accordance with the terms of the Equity Pledge Agreement and the applicable PRC laws and regulations.

## CONNECTED TRANSACTIONS (CONT'D)

### Contractual Arrangements (cont'd)

*Summary of the Material Terms of the Contractual Arrangements (cont'd)*

(4) Voting Rights Proxy Agreement and Powers of Attorney

Nanjing Strawbear, Jiangsu Strawbear and the Registered Shareholders entered into a voting rights proxy agreement on November 20, 2018 which was amended and restated on February 20, 2019 (the "**Voting Rights Proxy Agreement**") with an annexure of the powers of attorney (the "**Powers of Attorney**") executed by the Registered Shareholders, pursuant to which the Registered Shareholders unconditionally and irrevocably appoint Nanjing Strawbear and its designees as their attorney-in-fact, to exercise all the rights that they have as the shareholders of Jiangsu Strawbear as set out in the then-valid articles of association of Jiangsu Strawbear.

The Voting Rights Proxy Agreement and Powers of Attorney shall be effective upon execution, and shall remain effective ever after, until Nanjing Strawbear unilaterally terminates the Voting Rights Proxy Agreement and Powers of Attorney or all of the Registered Shareholders' equity interests in Jiangsu Strawbear have been legally and effectively transferred to Nanjing Strawbear and/or its designees.

(5) Spouse Undertakings

The spouse of each of the Registered Shareholders, where applicable, has signed an undertaking (collectively, the "**Spouse Undertakings**") to the effect that, among others, (i) the shares of Jiangsu Strawbear held and to be held by each of the Registered Shareholders do not fall within the scope of communal properties; and (ii) he or she waives any rights or interests that may be granted to him or her under the applicable laws of any jurisdictions, and he or she undertakes not to claim such rights or interests.

*Business Activities of Consolidated Affiliated Entities*

Consolidated Affiliated Entities of the Group include Jiangsu Strawbear and its subsidiaries and VIE Minority Interests. The principal business of the Consolidated Affiliated Entities is drama series and web films production and distribution.

*The Importance and Financial Contribution of the Consolidated Affiliated Entities to the Group*

Under the Contractual Arrangements, the Group has obtained control of the Consolidated Affiliated Entities and is entitled to receive all of the economic interest returns generated by the Consolidated Affiliated Entities. The following table sets forth the financial contributions of the Consolidated Affiliated Entities to the Group during the Reporting Period:

| | For the year ended December 31, 2023 | | As of December 31, 2023 | |
|---|---|---|---|---|
| | Revenue | % of total revenue | Total assets | % of the total assets |
| | *(RMB in thousands, except percentages)* | | | |
| Consolidated Affiliated Entities | **840,663** | **100.00%** | **2,571,774** | **99.54%** |

## CONNECTED TRANSACTIONS (CONT'D)

### Contractual Arrangements (cont'd)

*Governing Framework*

On December 23, 2018, the 7th meeting of the 13th Standing Committee of the National People's Congress (the "**NPC**") reviewed the Draft Foreign Investment Law, which was promulgated by the National People's Congress on its official website on December 26, 2018 for public consultation until February 24, 2019, and further submitted the second draft of the 2018 draft foreign investment law to the NPC for deliberation on January 29, 2019. On March 15, 2019, the NPC adopted the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the "**FIL**") at the closing meeting of the second session of the 13th NPC. The FIL took effect on January 1, 2020 and replaced the Law on Chinese-Foreign Equity Joint Ventures (《中外合資經營企業法》), the Law on Chinese-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Law on Wholly Foreign-Owned Enterprises (《外資企業法》), became the legal foundation for foreign investment in the PRC. On December 26, 2019, the State Council promulgated Regulation on the Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**FIL Implementing Regulation**"), which came into effect on January 1, 2020.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by the Company in the form of the Contractual Arrangements, to establish control of the Consolidated Affiliated Entities, through which the Group operates its business in the PRC. The FIL does not mention concepts including "actual control," nor does it explicitly stipulate the contractual arrangements as a form of foreign investment. Besides, it does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. As advised by its PRC Legal Advisors, provided that no additional laws, administrative regulations, departmental rules or other regulatory documents on contractual arrangements has been issued and enacted, the FIL does not, by itself, have any material adverse operational and financial impact on the legality and validity of the Company's Contractual Arrangements.

Furthermore, the FIL stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council." Although the FIL Implementing Regulation does not expressly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against the Company which may have a material adverse effect on the trading of its Shares.

## CONNECTED TRANSACTIONS (CONT'D)

### Contractual Arrangements (cont'd)

*Risks in relation to the Arrangements and Actions Taken to Reduce Risks*

There are certain risks that are associated with the Contractual Arrangements, including:

(i) If the PRC government finds that the agreements that establish the structure for operating the Group's businesses in the PRC do not comply with applicable PRC laws and regulations, or if these laws and regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of its interest in its Consolidated Affiliated Entities;

(ii) The Contractual Arrangements may not be as effective in providing operational control as direct ownership. Jiangsu Strawbear and its shareholders may fail to perform their obligations under the Contractual Arrangements;

(iii) The Group may lose the ability to use, or otherwise benefit from, the licences, approvals and assets held by its Consolidated Affiliated Entities that are material to its business operations if its Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding;

(iv) The shareholders of Jiangsu Strawbear may have conflicts of interest with the Company, which may materially and adversely affect the Group's business;

(v) If the Company exercises the option to acquire equity ownership of Jiangsu Strawbear, the ownership transfer may subject the Company to certain limitations and substantial costs; and

(vi) The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that the Group owes additional taxes could substantially reduce its consolidated net income and the value of the investors' investment.

For details, please refer to the section headed "Risk Factors – Risks Relating to the Contractual Arrangements" of the Prospectus.

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

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

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

(iii) the Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports; and

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

## CONNECTED TRANSACTIONS (CONT'D)

### Contractual Arrangements (cont'd)

*Risks in relation to the Arrangements and Actions Taken to Reduce Risks (cont'd)*

In addition, notwithstanding that the executive Directors, namely Mr. Liu, Ms. Zhang and Ms. Zhai, are also the Registered Shareholders, the Group believes that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently after the Listing under the following measures:

(i) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(ii) each of the Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of the Group;

(iii) the Group has appointed three independent non-executive Directors, comprising one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and its Shareholders as a whole; and

(iv) the Group will disclose in its announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his or her associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

*Listing Rules Implications and Waivers from the Stock Exchange*

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules as certain parties to the Contractual Arrangements, namely Mr. Liu, Ms. Liu, Ms. Zhang and Ms. Zhai, all of which are the members of the Registered Shareholders, are connected persons of the Company.

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the legal structure and business of the Group, that such transactions have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements related thereto or renewal of existing transactions, contracts and agreements to be entered into by, among others, the Consolidated Affiliated Entities and any member of the Group technically constitute its continuing connected transactions under Chapter 14A of the Listing Rules after the Listing, the Directors consider that, given that the Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent Shareholders' approval requirements.

## CONNECTED TRANSACTIONS (CONT'D)

### Contractual Arrangements (cont'd)

*Annual Review by the Independent Non-executive Directors and the Auditors*

The independent non-executive Directors, upon review of the overall performance of and compliance with the Contractual Arrangements, confirmed that:

(i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements,

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

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

The auditor of the Company has carried out review procedures on the transactions carried out pursuant to the Contractual Arrangements during the Reporting Period in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, and has provided a letter to the Board with a copy to the Hong Kong Stock Exchange confirming that:

(i) the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Contractual Arrangements; and

(ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

The Consolidated Affiliated Entities have undertaken that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide the Group's management and the Company's reporting accountants' full access to its relevant records for the purpose of their review of the continuing connected transactions.

*Material Changes*

There were no new contractual arrangements entered into, renewed and/or reproduced between the Group and the Consolidated Affiliated Entities during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period.

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2023, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its Consolidated Affiliated Entities under the Contractual Arrangements.

## CONNECTED TRANSACTIONS (CONT'D)

### Non-exempt Continuing Connected Transactions

*Summary of the Material Terms of the Continuing Connected Transaction Agreements*

2022 Made-to-order Drama Series Production Framework Agreement

On December 23, 2022, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) and iQIYI (for itself and on behalf of its subsidiaries and consolidated affiliated entities) entered into the 2022 made-to-order drama series production framework agreement (the "**2022 Made-to-order Drama Series Production Framework Agreement**"), pursuant to which, the Group shall, among others, provide drama series made-to-order services (including but not limited to project planning, screenplays development, copyrights procurement and/or preparation and production services) for iQIYI in exchange for service fees payable by iQIYI, and iQIYI may share with the Group other revenue generated from the broadcasting of made-to-order drama series produced by the Group for iQIYI (if applicable), for a term commencing from January 1, 2023 to December 31, 2025. For details, please refer to the announcement of the Company dated November 14, 2022 and the circular of the Company dated December 6, 2022.

2022 Copyrights Licencing Framework Agreement

On January 19, 2022, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) and iQIYI (for itself and on behalf of its subsidiaries and consolidated affiliated entities) entered into a copyright licencing framework agreement (the "**2022 Copyrights Licencing Framework Agreement**"), pursuant to which, the Group shall licence the copyrights (including but not limited to the broadcasting rights, information network transmission right and other copyrights) of the self-owned and licenced-in Audiovisual Works of the Group to iQIYI for a term commencing from January 19, 2022 to December 31, 2024. The proposed annual caps for the licencing fees payable by iQIYI to the Group under the 2022 Copyrights Licencing Framework Agreement are RMB1,840 million for the year ended December 31, 2023 and RMB2,340 million for the year ending December 31, 2024, respectively. For details, please refer to the announcement of the Company dated December 2, 2021 and the circular of the Company dated January 4, 2022.

2022 Drama Series Copyrights Purchasing Framework Agreement

On December 23, 2022, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) and iQIYI (for itself and on behalf of its subsidiaries and consolidated affiliated entities) entered into 2022 drama series copyrights purchasing framework agreement (the "**2022 Drama Series Copyrights Purchasing Framework Agreement**"), pursuant to which, iQIYI shall licence the copyrights (including but not limited to broadcasting rights and/or distribution rights) of certain drama series to the Group, which will be further licenced to other broadcasting platforms, TV channels or third-party agents by the Group, and the Group shall pay licencing fees to iQIYI for a term commencing from January 1, 2023 to December 31, 2025. For details, please refer to the announcement of the Company dated November 14, 2022 and the circular of the Company dated December 6, 2022.

## CONNECTED TRANSACTIONS (CONT'D)

### Non-exempt Continuing Connected Transactions (cont'd)

*Reasons for the Transactions*

2022 Made-to-order Drama Series Production Framework Agreement

The Group is an early mover in collaborating with online video platforms and provides diversified content developed by itself or licenced from its content partners to different online video platforms according to their preferences and specific demands. iQIYI is an innovative market-leading online entertainment service provider in China which distributes popular, trend-setting content, including drama series provided by other drama series production companies with made-to-order services. As such, the made-to-order drama series producing arrangements provided under the 2022 Made-to-order Drama Series Production Framework Agreement are in the ordinary and usual course of the business of the Group.

iQIYI has abundant capital capacity and massive user base. By entering into the 2022 Made-to-order Drama Series Production Framework Agreement, the Group can enhance the popularity of its content products, diversify its revenue sources and hedge the operational risks of a single business resulting from the evolving market and regulatory restrictions. The prices and terms offered by the Group to iQIYI are also no more favorable than those offered to other customers which are Independent Third Parties. Therefore, the made-to-order drama series producing arrangements under the 2022 Made-to-order Drama Series Production Framework Agreement are profitable and are in the interests of the Group and the Shareholders as a whole.

2022 Copyrights Licencing Framework Agreement

The Group commenced producing its own drama series and films and licencing the related copyrights of the self-owned and licenced-in drama series and films to major TV channels and/or online video platforms, which are limited in number, since its inception. iQIYI is an innovative market-leading online entertainment service provider in China, and its platform features highly popular original content, as well as a comprehensive library of other professionally-produced content, professional user generated content and user-generated content. As such, the copyrights licencing arrangements under the 2022 Copyrights Licencing Framework Agreement are in the ordinary and usual course of the business of the Group. In addition, entering into 2022 Copyrights Licencing Framework Agreement is in line with the evolved business model of the Group and the expanded business cooperation with iQIYI.

iQIYI has a massive demand for high-quality content generated by professional producers like the Group. By entering into the 2022 Copyrights Licencing Framework Agreement, the Group can enhance its distribution network and business relationship with iQIYI, which has been a major player in content distribution market with sizable procurement budgets for content. The prices and terms offered by the Group to iQIYI are also no more favorable than those offered to other customers which are Independent Third Parties. Therefore, the copyrights licencing arrangements under the 2022 Copyrights Licencing Framework Agreement are profitable and are in the interests of the Group and the Shareholders as a whole.

2022 Drama Series Copyrights Purchasing Framework Agreement

The Group commenced licencing broadcasting rights of outright-purchased drama series from online video platforms to TV channels or third-party agents in 2017. Such business model has diversified the revenue streams and further enhanced the Group's cooperation with top online video platforms by providing them with more monetisation opportunities at the same time. As such, the purchasing of copyrights of outright-purchased drama series under the 2022 Drama Series Copyrights Purchasing Framework Agreement are in the ordinary and usual course of the business of the Group. In addition, the prices and terms offered by iQIYI to the Group are no less favorable than those offered by the Group's other suppliers which are Independent Third Parties. Therefore, the copyrights purchasing arrangements under the 2022 Drama Series Copyrights Purchasing Framework Agreement are profitable and are in the interests of the Group and the Shareholders as a whole.

## CONNECTED TRANSACTIONS (CONT'D)

### Non-exempt Continuing Connected Transactions (cont'd)

*Pricing Policies*

2022 Made-to-order Drama Series Production Framework Agreement

The service fees payable by iQIYI to the Group under the 2022 Made-to-order Drama Series Production Framework Agreement will be determined based on cost-plus basis. For the purpose of providing incentives and rewards to the Group, iQIYI may also share with the Group other revenue (including but not limited to distribution revenue) generated from the broadcasting of the made-to-order drama series produced by the Group for iQIYI after deducting operating costs as confirmed by iQIYI (if any). For details of the pricing policies under the 2022 Made-to-order Drama Series Production Framework Agreement, please refer to the announcement of the Company dated November 14, 2022 and the circular of the Company dated December 6, 2022.

2022 Copyrights Licencing Framework Agreement

The licencing fees payable by iQIYI to the Group under the 2022 Copyrights Licencing Framework Agreement will be determined based on (i) fixed amount of licencing fees; (ii) sharing of iQIYI's revenue/income generated from the Audiovisual Works between iQIYI and the Group; or (iii) a mixture of (i) and (ii), after arm's length negotiation between the parties with reference to the prevailing market price and various related commercial factors, including the genre, nature, popularity, quantity, quality and commercial potential of the Audiovisual Works. For details of the pricing policies under the 2022 Copyrights Licencing Framework Agreement, please refer to the announcement of the Company dated December 2, 2021 and the circular of the Company dated January 4, 2022.

2022 Drama Series Copyrights Purchasing Framework Agreement

The licencing fees payable by the Group to iQIYI under the 2022 Drama Series Copyrights Purchasing Framework Agreement will be determined after arm's length negotiation between the parties based on the following formula:

(a) if the Group acts as a distribution agent of iQIYI's drama series (i.e. The Group provides agency services for distribution of iQIYI's drama series and generates revenue from further licencing the copyrights of such drama series to other broadcasting platforms, TV channels or third-party agents), the licencing fees payable by the Group to iQIYI will be determined based on the below formula:

    Licencing fees payable by the Group = copyrights distribution revenue × (1 – target agency distribution fee rate)

(b) if the Group distributes the copyrights of iQIYI's drama series by way of outright purchasing (i.e. the Group purchases the copyrights of iQIYI's drama series outright and pays a fixed amount of copyrights licencing fees to iQIYI), the licencing fees payable by the Group to iQIYI will be determined based on the below formula:

    Licencing fees payable by the Group = expected number of episodes × purchasing price for copyrights of each episode

For details of the pricing policies under the 2022 Drama Series Copyrights Purchasing Framework Agreement, please refer to the announcement of the Company dated November 14, 2022 and the circular of the Company dated December 6, 2022.

## CONNECTED TRANSACTIONS (CONT'D)

### Non-exempt Continuing Connected Transactions (cont'd)

*Annual Caps and Historical Amounts during the Reporting Period*

The annual caps and historical amounts of the total amount of fees receivable/payable by the Group under the non-exempt continuing connected transactions for the year ended December 31, 2023 are set out below:

| | For the year ended December 31, 2023 | |
|---|---|---|
| | Proposed annual cap (RMB in millions) | Historical amount (RMB in millions) |
| **Total amount of fees receivable under the 2022 Made-to-order Drama Series Production Framework Agreement** | **492.0** | **2.9** |
| **Total amount of fees receivable under the 2022 Copyrights Licencing Framework Agreement** | **1,840.0** | **321.5** |
| **Total amount of fees payable under the 2022 Drama Series Copyrights Purchasing Framework Agreement** | **397.0** | **260.0** |

*Listing Rules Implications*

iQIYI is the holding company of Taurus Holding, a substantial Shareholder, and hence an associate of Taurus Holding.

Therefore, the transactions contemplated under the 2022 Made-to-order Drama Series Production Framework Agreement, the 2022 Copyrights Licencing Framework Agreement, and the 2022 Drama Series Copyrights Purchasing Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules as iQIYI is a connected person of the Company.

As the highest applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of the above-mentioned transactions, on an annual basis, exceed 5%, such transactions will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## CONNECTED TRANSACTIONS (CONT'D)

### Non-exempt Continuing Connected Transactions (cont'd)

*Annual Review by the Independent Non-executive Directors and the Auditors*

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set out above conducted by the Group during the Reporting Period has followed the pricing principles of such continuing connected transactions.

The independent non-executive Directors had reviewed the above continuing connected transactions and confirmed that these transactions had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to the Company; and

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

The Board engaged the auditor of the Company to report on Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company has provided a letter to the Board containing its findings and conclusions, confirming that:

(i) nothing has come to its attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Board;

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

(iii) nothing has come to its attention that cause to the auditor to believe that the transactions were not conducted into, in all material respects, in accordance with the relevant transaction agreement governing such transactions; and

(iv) with respect to the aggregate amount of each of the abovementioned continuing connected transactions, nothing has come to its attention that causes the auditor to believe that the amounts have exceeded the annual cap set by the Company.

## RELATED PARTY TRANSACTIONS

Save as disclosed above, for the year ended December 31, 2023, there is no other related party transaction or continuing related party transaction set out in Note 34 to the financial statements which constitutes discloseable connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules (as amended from time to time).

## NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, the Group's Controlling Shareholders have executed the Deed of Non-competition in favor of the Company on December 18, 2020. Pursuant to the Deed of Non-competition, the Controlling Shareholders and/or their respective close associates (other than members of the Group) have confirmed that as of the date of the Deed of Non-competition, neither of the Controlling Shareholders or their respective close associates (other than members of the Group) have, in any form, engaged in, assisted or supported any third party in the operation of, participate, or have any interest in, any business that, directly or indirectly, competes or will compete or may compete with the business carried on or contemplated to be carried on by any member of the Group from time to time, namely investment, development, production and distribution of TV series, web series and films.

Each of them has confirmed in writing to the Company of their compliance with the Deed of Non-competition for disclosure in this annual report during the year ended December 31, 2023. No new business opportunity was informed by them as of December 31, 2023.

The independent non-executive Directors have reviewed the implementation of the Deed of Non-competition and are of the view that the non-competition undertakings have been complied with for the year ended December 31, 2023.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 34 to the financial statements and in the section headed "Connected Transactions" of Directors' Report in this report, neither contract of significance made between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, nor contract of significance made for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the Reporting Period or subsisted as of December 31, 2023.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

## DONATIONS

During the Reporting Period, the Group made charitable and other donations in an aggregate amount of RMB0.05 million.

## SIGNIFICANT LEGAL PROCEEDINGS

As of the date of this report, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatening against any member of the Group.

## PERMITTED INDEMNITY PROVISION

In accordance with article 192 of the Articles of Association, the Directors and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has maintained directors' liability insurance to protect the Directors against any potential losses arising from his/her actual or alleged misconduct.

## CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 130 to 148 of this report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25.0% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Reporting Period and as of the date of this report.

## AUDIT COMMITTEE

The Audit Committee has, together with the management and auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2023.

## AUDITOR

The Company has appointed Ernst & Young as the auditor of the Company for the year ended December 31, 2023. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Ernst & Young as the auditor of the Company.

By order of the Board

**Mr. Liu Xiaofeng**
*Chairman*

Nanjing, PRC, April 25, 2024

The Board is pleased to present the corporate governance report of the Company for the Reporting Period.

## CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the applicable code provisions as set out in the CG Code as set out in Appendix C1 to the Listing Rules. Save as disclosed in this report, the Board considered that the Company has complied with applicable code provisions set out in the CG Code during the Reporting Period.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors, senior management members, and employees who, because of their office or employment, are likely to possess inside information in relation to the Group or the Company's securities.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group during the Reporting Period.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 in the CG Code as set out in Part 2 of Appendix C1 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Liu is currently serving as the Chairman as well as the chief executive officer of the Company. As Mr. Liu is the founder of the Group and has been managing the Group's business and overall strategic planning since its establishment, the Directors consider that vesting the roles of chairman and chief executive officer in Mr. Liu is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group. Taking into account all the corporate governance measures that the Group implemented, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company had not segregated the roles of its Chairman and chief executive officer. The Board will continue to review and consider splitting the roles of Chairman and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

## THE BOARD

### Board Composition

As of the date of this annual report, the Board comprises 3 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors. The Directors for the Reporting Period and up to the date of this report were:

### Executive Directors

Mr. Liu Xiaofeng *(Chairman)*
Ms. Zhang Qiuchen *(resigned on May 4, 2023)*
Mr. Chen Chen
Ms. Zhai Fang

### Non-executive Directors

Mr. Wang Xiaohui
Ms. Liu Fan

### Independent Non-executive Directors

Mr. Ma Zhongjun
Mr. Zhang Senquan
Mr. Chung Chong Sun

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

### Independent Non-executive Directors

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

For the Reporting Period, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent.

## THE BOARD (CONT'D)

### Appointment and Re-election of Directors

Each of the Directors (including non-executive Directors) has entered into a service contract or an appointment letter with the Company, under which they agreed to act as Directors for a term of three years commenced from June 9, 2023, which may be terminated by not less than one month's notice in writing served by either the Director or the Company.

Details of the Directors' service contracts and letters of appointment are set out in the section headed "Directors' Report – Service Contracts and Letters of Appointment" in this annual report.

In accordance with article 109(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Accordingly, Mr. Chen Chen, Ms. Zhai Fang and Ms. Liu Fan shall retire by rotation at the AGM, and they being eligible, will offer themselves for re-election at the AGM. Details of the Directors to be re-elected at the AGM will be set out in the circular to be despatched to the Shareholders in due course.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

### Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company and the Shareholders as a whole.

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

## THE BOARD (CONT'D)

### Responsibilities, Accountabilities and Contributions of the Board and Management (cont'd)

All Directors have full and timely access to all the information of the Company as well as the services and advice from the 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 Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

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

The Company has arranged appropriate insurance cover to protect Directors from possible legal action against them.

### Remuneration of Directors and Senior Management

Details of the remuneration of the members of the Board for the year ended December 31, 2023 are set out in Note 8 to the financial statements in this annual report.

The remuneration of the senior management by band during the year ended December 31, 2023 are set out below:

| Remuneration Band | Number of Individuals |
|---|---|
| Nil to HK$500,000 | 1 |
| HK$500,001 to HK$1,000,000 | 0 |
| HK$1,000,001 to HK$2,500,000 | 3 |

### Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

## THE BOARD (CONT'D)

### Continuous Professional Development of Directors (cont'd)

A summary of trainings received by the Directors during the Reporting Period is as follows:

| Name of Directors | Nature of Continuous Professional Development Programme |
|---|---|
| **Executive Directors** | |
| Mr. Liu Xiaofeng *(Chairman)* | (1) & (2) |
| Ms. Zhang Qiuchen *(resigned on May 4, 2023)* | (1) & (2) |
| Mr. Chen Chen | (1) & (2) |
| Ms. Zhai Fang | (1) & (2) |
| **Non-executive Directors** | |
| Mr. Wang Xiaohui | (1) & (2) |
| Ms. Liu Fan | (1) & (2) |
| **Independent Non-executive Directors** | |
| Mr. Zhang Senquan | (1) & (2) |
| Mr. Ma Zhongjun | (1) & (2) |
| Mr. Chung Chong Sun | (1) & (2) |

*Notes:*

(1) Attending the training for Director covering a wide range of topics, including but not limited to the management of inside information, discloseable transactions and connected transactions, duty of disclosure of interests, the ESG reporting standards, the laws applicable to the Company and the Company's continuing compliance obligations.

(2) Reading relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interests.

### Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of the Board that are relevant to the business growth. Pursuant to the Board Diversity Policy, the Company seeks to achieve diversity of the Board through the consideration of a number of factors when selecting candidates to the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, with reference to the Company's business model and specific needs.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee.

## THE BOARD (CONT'D)

### Diversity Policy (cont'd)

As of the date of this report, the Company has eight Directors, consisting of three executive Directors (including Mr. Liu Xiaofeng, Mr. Chen Chen and Ms. Zhai Fang), two non-executive Directors (including Mr. Wang Xiaohui and Ms. Liu Fan) and three independent non-executive Directors (including Mr. Ma Zhongjun, Mr. Zhang Senquan and Mr. Chung Chong Sun). The three executive Directors have performed operating and management roles in the media industry and equity investment for many years and have rich experience in production, sales, marketing and distribution of TV series, financial management, corporate operation and equity investment. The two non-executive Directors have rich experience in journalism, content business, investment banking and secondary market investment. The three independent non-executive Directors are experts in film and television industry, accounting, auditing, financing and capital operations. They are capable of providing professional advice to the Company on various areas. Among them, two are female Directors (representing 25.0% of the Board), thus has achieved gender diversity in respect of the Board. In view of the current situation of the Directors, the Nomination Committee is of the view that the composition of the Board is diversified. The Board targets to maintain at least the current level of female representation. The Board will continue to take opportunities to increase the proportion of female members overtime as and when suitable candidates are identified.

The Company's diversity philosophy (including the gender diversity) was generally followed in the workforce throughout the Group for the year ended December 31, 2023. As of the date of this report, 60.6% of the Group's total workforce (including senior management) are female. The Company targets to maintain a high level of female representation in the Group's workforce.

The Company will also ensure that there is gender diversity and no gender biases when recruiting staff at mid to senior level with diverse interview panel. The Company is committed to building a healthy, diverse and inclusive workplace and retaining a diverse workforce by providing unconscious-bias management training and more strategic, transparent, and fair career developmental opportunities for each staff, and continually improving the Company's inclusive culture, so that the Company will be able to proactively build a gender-diverse pipeline of senior management and potential successors to the Board. There are no mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

## BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Stock Exchange and the Company and are available to Shareholders upon request.

Rule 3.21 of the Listing Rules requires the Audit Committee to comprise non-executive directors only, with a minimum of three members with independent non-executive directors in majority and at least one member with appropriate professional qualifications or accounting or related financial management expertise. The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" in this annual report.

## BOARD COMMITTEES (CONT'D)

### Audit Committee

As of the date of this report, the Audit Committee consists of two independent non-executive Directors and one non-executive Director, being Mr. Zhang Senquan (chairman of the Audit Committee who holds appropriate accounting qualifications), Ms. Liu Fan and Mr. Chung Chong Sun.

The main duties of the Audit Committee are to assist the Board in reviewing compliance, accounting policies, financial reporting procedures and risk management and internal control systems; supervising the implementation of the internal audit system; advising on the appointment or replacement of external auditors; and liaising between the internal audit department and external auditors.

During the Reporting Period, the Audit Committee held 3 meetings, which were attended by all members of the Audit Committee, and reviewed, among other things, the audit plan for the year ended December 31, 2022 and the audit plan for the year ended December 31, 2023, the audited consolidated financial statements of the Group for the year ended December 31, 2022, the unaudited consolidated financial statements of the Group for the six months ended June 30, 2023, and the effectiveness of the risk management and internal control systems and internal audit function of the Company.

According to code provision D.3.3(e)(i) of the CG Code and the terms of reference of the Audit Committee of the Company, the Audit Committee must meet, at least twice a year, with the Company's auditors. The members of Audit Committee met twice with the external auditor during the year ended December 31, 2023.

Attendance of each Audit Committee member is set out in the table below:

| Name of Directors | Attended/Eligible to attend |
|---|---|
| Mr. Zhang Senquan *(Chairman)* | 3/3 |
| Ms. Liu Fan | 3/3 |
| Mr. Chung Chong Sun | 3/3 |

## BOARD COMMITTEES (CONT'D)

### Remuneration Committee

As of the date of this report, the Remuneration Committee consists of two independent non-executive Directors and one executive Director, being Mr. Ma Zhongjun (chairman of the Remuneration Committee), Mr. Liu Xiaofeng and Mr. Chung Chong Sun.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration package of each Director and senior management, the remuneration policy and structure for all Directors and senior management, reviewing and approving compensations payable to the Directors and senior management, and reviewing and/or approving matters relating to share schemes.

During the Reporting Period, the Remuneration Committee held 1 meeting, which was attended by all members of the Remuneration Committee, and reviewed, among other things, the remuneration packages of the Directors and the remuneration policy and packages of the Group's senior management.

Attendance of each Remuneration Committee member is set out in the table below:

| Name of Directors | Attended/Eligible to attend |
|---|---|
| Mr. Ma Zhongjun *(Chairman)* | 1/1 |
| Mr. Liu Xiaofeng | 1/1 |
| Mr. Chung Chong Sun | 1/1 |

### Nomination Committee

As of the date of this report, the Nomination Committee consists of two independent non-executive Directors and one executive Director, being Mr. Ma Zhongjun (chairman of the Nomination Committee), Mr. Liu Xiaofeng and Mr. Chung Chong Sun.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

## BOARD COMMITTEES (CONT'D)

### Nomination Committee (cont'd)

The Nomination Committee will recommend to the Board for the appointment of a Director including an independent non-executive Director in accordance with the following selection criteria and nomination procedures:

(a) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, having due regard to the Board Diversity Policy, the requirements in the Company's constitution, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experiences, independence and gender diversity;

(b) assess the independence of independent non-executive Directors to determine their eligibility with reference to the factors set out in Rule 3.13 of the Listing Rules and any other factors deemed appropriate by the Nomination Committee or the Board. If a proposed independent non-executive Director will be holding his/her seventh (or more) listed company directorship, to assess his/her ability to devote sufficient time to the Board matters; and

(c) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in light of this evaluation prepare a description of the role and capabilities required for a particular appointment.

During the Reporting Period, the Nomination Committee held 1 meeting, which was attended by all members of the Nomination Committee, and reviewed, among other things, the structure, size and composition of the Board, assessed the independence of independent non-executive Directors to determine their eligibility and discussed the re-appointment of Directors and succession planning for Directors.

Attendance of each Nomination Committee member is set out in the table below:

| Name of Directors | Attended/Eligible to attend |
|---|---|
| Mr. Ma Zhongjun *(Chairman)* | 1/1 |
| Mr. Liu Xiaofeng | 1/1 |
| Mr. Chung Chong Sun | 1/1 |

### Environmental, Social and Governance Committee

As of the date of this report, the Environmental, Social and Governance Committee consists of two executive Directors and one independent non-executive Director, being Mr. Liu Xiaofeng (chairman of the Environmental, Social and Governance Committee), Ms. Zhai Fang and Mr. Zhang Senquan.

## BOARD COMMITTEES (CONT'D)

### Environmental, Social and Governance Committee (cont'd)

The principal duties of the Environmental, Social and Governance Committee include (i) guiding and formulating the Group's environmental, social and governance ("**ESG**") vision, objectives, strategies and structure to ensure that they are in line with the needs of the Group and comply with applicable laws, regulations, regulatory requirements and international standards; (ii) monitoring the development and implementation of the Group's ESG vision, strategies and structure; (iii) guiding and reviewing the identification and ranking of important ESG issues of the Group; (iv) reviewing the key ESG trends and related risks and opportunities, and assessing the adequacy and effectiveness of the Group's ESG structure accordingly; (v) monitoring the channels and means of communication with the Group's stakeholders and ensuring that the relevant policies are in place to effectively promote the relationship between the Group and its stakeholders and protect the Group's reputation; (vi) reviewing the Company's ESG report and other ESG related disclosures, and making recommendations to the Board in order to maintain the integrity of the ESG report and other ESG related disclosure of the Company; and (vii) ensuring that the Company's ESG report is prepared in accordance with the ESG Reporting Guide set out in Appendix C2 to the Listing Rules.

During the Reporting Period, the Environmental, Social and Governance Committee held 2 meetings, which were attended by all members of the Environmental, Social and Governance Committee, and reviewed, among other things, the work manual of ESG maters, the development and implementation of the Group's ESG vision, strategies and structure, the identification and ranking of important ESG issues of the Group, key ESG trends and related risks and opportunities, the adequacy and effectiveness of the Group's ESG structure, and ESG related disclosures.

Attendance of each Environmental, Social and Governance Committee member is set out in the table below:

| Name of Directors | Attended/Eligible to attend |
|---|---|
| Mr. Liu Xiaofeng *(Chairman)* | 2/2 |
| Ms. Zhai Fang | 2/2 |
| Mr. Zhang Senquan | 2/2 |

### Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board developed, reviewed and monitored the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and compliance manual applicable to employees and Directors, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the relevant papers and are adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries of the Company with copies circulated to all Directors or Board committee members for information and records.

Minutes of the Board meetings and Board committee meetings are recorded in sufficient details about the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors/Board committee members. Draft and final versions of the minutes of each Board meeting and Board committee meeting are sent to the Directors/Board committee members for comments and records respectively within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

### Attendance Records of Board and General Meetings

According to code provision C.5.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. According to code provision C.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.

During the Reporting Period, the Board held 4 meetings, and considered, among other things, (i) the 2022 annual results and annual report; (ii) the 2023 interim results and interim report; and (iii) the grant of RSUs under the 2021 RSU Scheme. One Board meeting was held on March 25, 2024, which was attended by all members of the Board, to consider and approve the audited consolidated financial statements of the Group for the year ended December 31, 2023.

## BOARD MEETINGS (CONT'D)

### Attendance Records of Board and General Meetings (cont'd)

The attendance record of each Director at the Board and general meetings of the Company held during the Reporting Period is set out in the table below:

| Name of Directors | Attended/Eligible to attend Board | General meeting |
|---|---|---|
| **Executive Directors** | | |
| Mr. Liu Xiaofeng *(Chairman)* | 4/4 | 1/1 |
| Ms. Zhang Qiuchen *(resigned on May 4, 2023)*[(1)] | 1/1 | – |
| Mr. Chen Chen | 4/4 | 1/1 |
| Ms. Zhai Fang | 4/4 | 1/1 |
| **Non-executive Directors** | | |
| Mr. Wang Xiaohui | 3/4 | 1/1 |
| Ms. Liu Fan | 4/4 | 1/1 |
| **Independent Non-executive Directors** | | |
| Mr. Zhang Senquan | 4/4 | 1/1 |
| Mr. Ma Zhongjun | 3/4 | 1/1 |
| Mr. Chung Chong Sun | 4/4 | 1/1 |

*Note:*

(1) Ms. Zhang Qiuchen resigned as an executive Director with effect from May 4, 2023 in order to devote more time to focus on her other business commitments.

Apart from regular Board meetings, the Chairman also held a meeting with independent non-executive Directors without the presence of other Directors during the Reporting Period.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023.

The management has provided to the Board such explanations and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with updates on the Group's performance, positions and prospects from time to time.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 149 to 153 of this annual report.

## AUDITOR'S REMUNERATION

An analysis of the remuneration paid/payable to the external auditor of the Company, Ernst & Young, for the year ended December 31, 2023, is set out below:

| Type of Services | Amount (RMB) |
|---|---|
| Audit services | 2,800,000 |
| Non-audit services (including tax consultation) | 40,693 |
| **Total** | **2,840,693** |

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control measures and reviewing their effectiveness, and is also responsible for reviewing the effectiveness of the Group's internal control and risk management systems on, at least, an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, to promote effective and efficient operations, to ensure reliable financial reporting and compliance with applicable laws and regulations, as well as to safeguard the Group's assets and Shareholders' interests, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management and internal control system of the Group comprises a well-established organisational structure and comprehensive policies and standards.

The Group's risk management and internal control measures focus primarily on (i) financial risk management; (ii) strategy risk management; (iii) operational risk management; and (iv) compliance control risk management.

The Group also has an internal audit function, which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control measures, and reports their findings to the Board on, at least, an annual basis. The Company implements and strictly enforces procedures on inside information according to the relevant procedures stated under the "Guidelines on Disclosure of Inside Information" promulgated by the SFC in June 2012.

## RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

The Company has established a dynamic risk management process, continuously improves the risk management capability to ensure the sustainable development of the Group:

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

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

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

- the Audit Committee, on behalf of the Board, reviews the construction, implementation and supervision of the Group's risk management and internal control, and review the effectiveness of the Group's risk management and internal control system. The Audit Committee provides guidance to the Company's management to implement effective risk management system with supports from the internal audit department.

The Board has reviewed the effectiveness of the risk management and internal control measures of the Group for the year ended December 31, 2023 to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards, and to resolve material internal control defects. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes, intellectual property protection system and budget of the Company's accounting, internal audit and financial reporting functions and the Company's ESG performance and reporting to be adequate. The review was conducted through discussions with the management of the Company, its external auditors and the assessment performed by the Audit Committee.

The Board considers that the current risk management and internal control measures effectively and adequately cover the existing businesses of the Group, and will continue to be optimised in line with the business development of the Group.

## JOINT COMPANY SECRETARIES

Ms. Zhai Fang, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board's policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. Zhang Xiao, an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (a company secretarial service provider), as the other joint company secretary to assist Ms. Zhai to discharge her duties as company secretary of the Company during the Reporting Period. The primary corporate contact person at the Company is Ms. Zhai Fang.

## JOINT COMPANY SECRETARIES (CONT'D)

A summary of trainings received by the joint company secretaries during the Reporting Period is as follows:

| Name of Joint Company Secretaries | Nature of Continuous Professional Development Programme |
|---|---|
| Ms. Zhai Fang | (1) & (2) |
| Ms. Zhang Xiao | (1) & (2) |

*Notes:*

(1) Attending the training for joint company secretary covering a wide range of topics, including but not limited to the management of inside information, discloseable transactions and connected transactions, duty of disclosure of interests, the ESG reporting standards, the laws applicable to the Company and the Company's continuing compliance obligations.

(2) Reading relevant guideline materials regarding the duties and responsibilities of being a joint company secretary, the relevant laws and regulations applicable to the joint company secretary and duty of disclosure of interests.

During the year ended December 31, 2023, Ms. Zhai Fang and Ms. Zhang Xiao were fully in compliance with the Rule 3.29 of the Listing Rules as Ms. Zhai Fang and Ms. Zhang Xiao received no less than 15 hours of professional training.

## DIVIDEND POLICY

Subject to the requirements of the Articles of Association, Cayman Islands law and other applicable laws and regulation, the Board has absolute discretion to recommend any dividend. The determination to pay dividends will be made at the discretion of the Board and will depend upon the Group's operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that the Directors consider relevant. The Company will continue to re-evaluate its dividend policy in light of its financial condition and the prevailing economic environment.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared by the Company until claimed and, notwithstanding any entry in any books of the Company may be invested or otherwise made use of by the Board for the benefit of the Company or otherwise howsoever, and the Company shall not constitute a trustee in respect thereof. All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall be reverted to the Company and, in the case where any of the same are securities of the Company, may be re-allotted or re-issued for such consideration as the Board thinks fit and the proceeds thereof shall accrue to the benefit of the Company absolutely.

## BOARD INDEPENDENCE EVALUATION MECHANISM

Under code provision B.1.4 of the CG Code, the Board is required to establish mechanism(s) to ensure independent views and input are available to the Board.

The Board has adopted the board independence evaluation mechanism (the "**Mechanism**") which sets out the principles and guidelines for the Company to ensure independent view and input to be available to the Board.

The following mechanisms have been established by the Board:

- The Nomination Committee is established with clear terms of reference to identify suitable candidates, including independent non-executive Directors, for appointment as Directors.

- The nomination policy is in place with details of the process and criteria of identifying, selecting, recommending, cultivating and integrating new directorship.

- For independent non-executive Directors:

  - Every independent non-executive Director is required to confirm in writing to the Company his/her independence upon his/her appointment as a Director with reference to such criteria as stipulated in the nomination policy as well as the Listing Rules;

  - Each independent non-executive Director has to declare his/her past or present financial or other interests in the Group's business as soon as practicable, or his/her connection with any of the Company's connected persons (as defined in the Listing Rules), if any;

  - Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence.

- The Nomination Committee will assess annually the independence of all independent non-executive Directors and affirm if each of them still satisfies the criteria of independence as set out in the Listing Rules and is free from any relationships and circumstances which are likely to affect, or could appear to affect, their independent judgement. Every Nomination Committee member should abstain from assessing his/her own independence.

- Where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, it will set out in the circular to shareholders the reasons it believes he/she should be elected and the reasons it considers him/her to be independent.

- A mechanism is in place for Directors to seek independent professional advice in performing their duties at the Company's expense.

- Directors are encouraged to access and consult with the Company's senior management independently, if necessary.

- Annual review on Board independence (the "**Board Independence Evaluation**") will be conducted, with attention to ensuring that it remains independent in judgement, and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the management.

## BOARD INDEPENDENCE EVALUATION MECHANISM (CONT'D)

- The Board Independence Evaluation may take in the form of a questionnaire to all Directors individually and may be supplemented by individual interview with each Director, if necessary, and/or in any other manners which the Board considers fit and necessary.
- The Board Independence Evaluation report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.
- The results of the Board Independence Evaluation or a summary of the findings of the said evaluation will be disclosed in the Corporate Governance Report for accountability and transparency purposes.
- The aforesaid Board Independence Evaluation will be regarded as an ongoing exercise of the Company while the Company may seek assistance from external consultant if an external evaluation on the same subject is needed.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

### Convening of extraordinary general meeting and putting forward proposals

In accordance with article 64 of the Articles of Association, any one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a vote per share basis) in the share capital of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may put forward proposals for consideration at a general meeting of the Company according to article 64 of the Articles of Association requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of article 64 are set out above.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

## SHAREHOLDERS' RIGHTS (CONT'D)

### Enquiries to the Board

Shareholders and investors who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at Room 2508, Building A Wanda Plaza, No. 98, Jiangdong Zhong Road, Jianye District, Nanjing, Jiangsu, PRC (email address: ir@strawbearfilm.com).

Changes to the contact details above will be communicated through the Company's website (www.strawbearentertainment.com), which also contains information and updates on the Group's business developments and operations, as well as press releases and financial information.

## COMMUNICATION WITH SHAREHOLDERS

To ensure the Shareholders and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company, the Company has adopted a shareholder's communication policy (the "**Policy**"). According to the Policy, information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website. The policy has been reviewed regularly by the Board to ensure its effectiveness. A summary of the Policy is set out below and the full text of which has been published on the Company's website (www.strawbearentertainment.com) for public information.

### Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's registrar.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders and the investment community shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

### Corporate Communication

Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

## COMMUNICATION WITH SHAREHOLDERS (CONT'D)

### Corporate Website

A dedicated investor relations section is available on the Company's website (www.strawbearentertainment.com). Information on the Company's website is updated on a regular basis.

Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents, etc.

All presentation materials provided in conjunction with the Company's annual general meeting and results announcement each year will be made available on the Company's website as soon as practicable after their release.

### Shareholders' Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

Appropriate arrangements for the annual general meetings shall be in place to encourage Shareholders' participation.

The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

Board members, in particular, either the chairmen of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions.

Shareholders are encouraged to attend shareholders' activities organised by the Company, where information about the Company, including its latest strategic plan, products and services, etc., will be communicated.

### Investment Market Communications

Investor/analysts briefings and one-on-one meetings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums, etc., will be available on a regular basis in order to facilitate communication between the Company, Shareholders and the investment community.

Having considered the various existing channels of communication and the feedbacks from the Shareholders, investors and analysts, the Board considers that the Policy has been properly implemented and effective during the year ended December 31, 2023.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted the Articles of Association on December 18, 2020, which has been effective from the Listing Date and was subsequently amended on June 9, 2022.

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**Independent auditor's report**
**To the shareholders of Strawbear Entertainment Group**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Strawbear Entertainment Group (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 154 to 251, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## KEY AUDIT MATTERS (CONT'D)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Impairment testing of goodwill* | |
| The carrying amount of goodwill at 31 December 2023 was RMB108,341,000. The Group performs its impairment testing of goodwill on an annual basis. Management's annual impairment testing is important to our audit because the assessment process is complex and requires significant judgement and estimates including allocation of goodwill to cash-generating unit, annual revenue growth rate, pre-tax discount rate and terminal growth rate.<br><br>The Group's disclosures about the impairment testing of goodwill are included in notes 2.4, 3 and 15 to the financial statements. | We evaluated management's allocation of goodwill to cash-generating units within the Group. We reviewed and tested management's future forecasted cash flows and key assumptions by comparing to the Group's development plan, budget and financial projections and analysis of the industry. We involved our valuation specialists to assist us in evaluating the key valuation parameters such as the pre-tax discount rate, the terminal growth rate applied and the valuation model with forecasted cash flows. We also evaluated the adequacy of the related disclosures about the impairment testing of goodwill in the financial statements. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Write-down of inventories* | |
| As at 31 December 2023, the Group had inventories with a carrying amount of RMB1,308,481,000 which is stated at the lower of cost and net realisable value.<br><br>The Group's management reviews the conditions of inventories of the Group and makes provision for obsolete and slow-moving inventory items. The Group carries out an inventory review on a project-by-project basis at the end of each reporting period and makes provision for obsolete projects. Net realisable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of producing and distributing drama series of a similar nature.<br><br>The Group's disclosures about write-down of inventories are included in notes 2.4, 3 and 19 to the financial statements. | We evaluated management's net realisable value test and the rationale for write-down of inventories by reviewing management's business plans with reference to the market situation, analysis of the recent production progress of the drama series and public information on the production plan and production progress of the drama series if any.<br><br>We tested the aging of inventories and discussed the long aging inventories with management to identify any slow-moving, excess or obsolete items.<br><br>We performed recalculation of net realisable value test by checking the selling price with the pre-sale contracts if any and the total budget cost for each project. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 THE DIRECTORS 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgement 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.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
25 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

| | Notes | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| **REVENUE** | *5* | **840,663** | 980,923 |
| Cost of sales | | **(777,406)** | (761,170) |
| Gross profit | | **63,257** | 219,753 |
| Other income and gains | *5* | **15,569** | 33,889 |
| Selling and distribution expenses | | **(56,698)** | (48,309) |
| Administrative expenses | | **(102,239)** | (65,432) |
| Impairment of financial assets, net | *6* | **(23,510)** | (39,166) |
| Other expenses | | **(778)** | (888) |
| Finance costs | *7* | **(14,248)** | (17,329) |
| Share of profits and losses of: | | | |
| Joint ventures | *17* | **(452)** | (4,357) |
| Associates | *18* | **1,613** | (225) |
| **(LOSS)/PROFIT BEFORE TAX** | *6* | **(117,486)** | 77,936 |
| Income tax credit/(expense) | *10* | **9,977** | (27,929) |
| **(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR** | | **(107,509)** | 50,007 |
| Attributable to: | | | |
| Owners of the parent | | **(109,307)** | 50,933 |
| Non-controlling interests | | **1,798** | (926) |
| | | **(107,509)** | 50,007 |
| **(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic (RMB) | *12* | **(16.1) cents** | 7.5 cents |
| Diluted (RMB) | *12* | **(16.1) cents** | 7.3 cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *13* | **4,931** | 4,408 |
| Right-of-use assets | *14(a)* | **7,830** | 6,160 |
| Goodwill | *15* | **108,341** | 108,341 |
| Other intangible assets | *16* | **8** | 11 |
| Investments in joint ventures | *17* | **1,314** | 1,312 |
| Investments in associates | *18* | **21,432** | 7,197 |
| Deferred tax assets | *27* | **20,474** | 6,943 |
| Total non-current assets | | **164,330** | 134,372 |
| **CURRENT ASSETS** | | | |
| Inventories | *19* | **1,308,481** | 1,109,433 |
| Trade and notes receivables | *20* | **554,173** | 545,355 |
| Prepayments, other receivables and other assets | *21* | **328,325** | 379,259 |
| Financial assets at fair value through profit or loss | *22* | **11,147** | 11,402 |
| Restricted cash | *23* | **5** | 43,200 |
| Pledged deposits | *23* | **62,778** | 61,493 |
| Cash and cash equivalents | *23* | **154,389** | 208,049 |
| Total current assets | | **2,419,298** | 2,358,191 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *24* | **300,794** | 215,307 |
| Other payables and accruals | *25* | **224,421** | 158,177 |
| Interest-bearing bank and other borrowings | *26* | **278,663** | 275,973 |
| Lease liabilities | *14(b)* | **3,614** | 3,051 |
| Tax payable | | **2,770** | 9,264 |
| Total current liabilities | | **810,262** | 661,772 |
| **NET CURRENT ASSETS** | | **1,609,036** | 1,696,419 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,773,366** | 1,830,791 |

# Consolidated Statement of Financial Position
31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | *26* | **28,000** | – |
| Lease liabilities | *14(b)* | **3,321** | 2,248 |
| Deferred tax liabilities | *27* | **2,727** | 2,937 |
| Total non-current liabilities | | **34,048** | 5,185 |
| Net assets | | **1,739,318** | 1,825,606 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | *28* | **114** | 113 |
| Treasury shares | *28* | **(37,375)** | (42,651) |
| Reserves | | **1,775,767** | 1,869,170 |
| | | **1,738,506** | 1,826,632 |
| Non-controlling interests | | **812** | (1,026) |
| Total equity | | **1,739,318** | 1,825,606 |

**Mr. Liu Xiaofeng**
*Director*

**Mr. Chen Chen**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

| | Attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 28) | Share premium RMB'000 (note 28) | Capital reserve RMB'000 (note 29) | Statutory surplus reserve RMB'000 (note 29) | Treasury shares RMB'000 (note 28) | Share award and option reserve RMB'000 (note 29) | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2022 | 112 | 1,375,145 | 10,096 | 13,320 | (17,053) | 74,853 | 316,859 | 1,773,332 | (100) | 1,773,232 |
| Total comprehensive income for the year | – | – | – | – | – | – | 50,933 | 50,933 | (926) | 50,007 |
| Equity-settled share award and option arrangements | – | – | – | – | – | 30,494 | – | 30,494 | – | 30,494 |
| Share options exercised | 1 | 3,858 | – | – | – | (3,858) | – | 1 | – | 1 |
| Repurchase of shares | – | – | – | – | (28,128) | – | – | (28,128) | – | (28,128) |
| Restricted share units vested | – | 4,388 | – | – | 2,530 | (6,918) | – | – | – | – |
| Transfer to statutory reserve | – | – | – | 1,611 | – | – | (1,611) | – | – | – |
| At 31 December 2022 | 113 | 1,383,391 | 10,096 | 14,931 | (42,651) | 94,571 | 366,181 | 1,826,632 | (1,026) | 1,825,606 |

| | Attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital RMB'000 (note 28)** | **Share premium RMB'000 (note 28)** | **Capital reserve RMB'000 (note 29)** | **Statutory surplus reserve RMB'000 (note 29)** | **Treasury shares RMB'000 (note 28)** | **Share award and option reserve RMB'000 (note 29)** | **Retained profits RMB'000** | **Total RMB'000** | **Non-controlling interests RMB'000** | **Total equity RMB'000** |
| At 1 January 2023 | **113** | **1,383,391** | **10,096** | **14,931** | **(42,651)** | **94,571** | **366,181** | **1,826,632** | **(1,026)** | **1,825,606** |
| Total comprehensive loss for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(109,307)** | **(109,307)** | **1,798** | **(107,509)** |
| Equity-settled share award and option arrangements | **–** | **–** | **–** | **–** | **–** | **21,469** | **–** | **21,469** | **–** | **21,469** |
| Share options exercised | **1** | **7,715** | **–** | **–** | **–** | **(7,715)** | **–** | **1** | **–** | **1** |
| Repurchase of shares | **–** | **–** | **–** | **–** | **(289)** | **–** | **–** | **(289)** | **–** | **(289)** |
| Restricted share units vested | **–** | **3,975** | **–** | **–** | **5,565** | **(9,540)** | **–** | **–** | **–** | **–** |
| Capital contributions from non-controlling shareholders | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **40** | **40** |
| At 31 December 2023 | **114** | **1,395,081*** | **10,096*** | **14,931*** | **(37,375)** | **98,785*** | **256,874*** | **1,738,506** | **812** | **1,739,318** |

* These reserve accounts comprise the consolidated other reserves of RMB1,775,767,000 (2022: RMB1,869,170,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

| | Notes | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| (Loss)/profit before tax | | **(117,486)** | 77,936 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | *13* | **1,580** | 1,133 |
| Depreciation of right-of-use assets | *14(a)* | **4,012** | 3,502 |
| Amortisation of other intangible assets | *16* | **3** | 14,503 |
| Interest income from loans receivable | | **(6,881)** | (7,092) |
| Interest income from amount due from a joint venture | | **–** | (1,438) |
| Share of losses of joint ventures | *17* | **452** | 4,357 |
| Share of (profits)/losses of associates | *18* | **(1,613)** | 225 |
| Finance costs | *7* | **14,248** | 17,329 |
| Equity-settled share award and option expenses | | **19,420** | 23,555 |
| Changes in fair value of financial assets and liabilities at fair value through profit or loss | | **255** | (188) |
| Foreign exchange differences,net | | **380** | (832) |
| Loss on disposal of items of property, plant and equipment | | **29** | – |
| Loss on disposal of an associate | | **–** | 53 |
| Write-down of inventories to net realisable value | | **16,950** | 6,139 |
| Impairment of financial assets, net | | **23,510** | 39,166 |
| | | **(45,141)** | 178,348 |
| Increase in inventories | | **(212,005)** | (10,199) |
| (Increase)/decrease in trade and notes receivables | | **(33,298)** | 252,007 |
| Decrease in prepayments, other receivables and other assets | | **36,482** | 68,467 |
| Increase in financial assets at fair value through profit or loss | | **–** | (11,214) |
| Decrease/(increase) in restricted cash | | **43,195** | (43,200) |
| Increase/(decrease) in trade payables | | **99,223** | (41,521) |
| Increase/(decrease) in other payables and accruals | | **66,244** | (265,050) |
| Cash (used in)/generated from operations | | **(45,300)** | 127,638 |
| Income tax paid | | **(8,545)** | (52,280) |
| Net cash flows (used in)/from operating activities | | **(53,845)** | 75,358 |

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of items of property, plant and equipment | | **(2,409)** | (2,987) |
| Interest received from loans receivable | | **2,722** | 1,853 |
| Acquisition of a subsidiary | | **–** | (16,000) |
| Purchase of shareholding of associates | | **(15,020)** | (750) |
| Advances of loans to third parties | | **(8,000)** | (132,000) |
| Repayment of advances of loans to third parties | | **10,000** | 58,000 |
| Increase in an amount due from a director | | **(1,405)** | – |
| Disposal of a subsidiary | | **2,000** | 1,000 |
| (Increase)/decrease in pledged deposits | | **(1,285)** | 29,646 |
| Net cash flows used in investing activities | | **(13,397)** | (61,238) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Capital contribution from non-controlling interests | | **40** | – |
| Proceeds from exercise of share options | | **1** | 1 |
| Share issue expenses | | **–** | (2,793) |
| New bank loans | | **340,000** | 300,500 |
| Repayment of bank loans | | **(306,100)** | (277,600) |
| New borrowings from third parties | | **–** | 3,000 |
| Repayment of borrowings from third parties | | **(3,000)** | (28,000) |
| Dividend paid | | **–** | (60,000) |
| Interest paid | | **(12,644)** | (13,141) |
| Repurchase of shares | *28* | **(289)** | (28,128) |
| Principal portion of lease payments | *31(b)* | **(4,046)** | (3,726) |
| Net cash flows from/(used in) financing activities | | **13,962** | (109,887) |

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(53,280)** | (95,767) |
| Effect of foreign exchange rate changes, net | | **(380)** | 1,020 |
| Cash and cash equivalents at beginning of year | | **208,049** | 302,796 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **154,389** | 208,049 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | *23* | **154,389** | 208,049 |
| Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows | | **154,389** | 208,049 |

## 1. CORPORATE AND GROUP INFORMATION

Strawbear Entertainment Group (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 3 January 2018. The registered address of the Company is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

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

The Company does not have an immediate holding company or ultimate holding company. Mr. Liu Xiaofeng, Master Sagittarius Holding Limited and Leading Glory Investments Limited, are the controlling shareholders of the Company, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

| Name | Place and date of incorporation/ registration and place of operations | Nominal value of issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Strawbear Pictures Limited | British Virgin Islands 9 January 2018 | US$1,000 | 100 | – | Investment holding |
| Strawbear Film Limited | Hong Kong 31 January 2018 | US$1,000 | – | 100 | Investment holding |
| Nanjing Strawbear Business Consulting Co., Ltd. ("**Nanjing Strawbear**") (南京稻草熊商務諮詢有限公司) *(note (a))* | People's Republic of China ("**PRC**")/ Chinese Mainland 17 September 2018 | US$1,000,000 | – | 100 | Investment holding |
| Shanghai Strawbear Business Consulting Co., Ltd. (上海稻草熊商務諮詢有限公司) *(note (a))* | PRC/Chinese Mainland 3 September 2018 | US$1,000,000 | – | 100 | Investment holding |
| Jiangsu Strawbear Film Co., Ltd. ("**Jiangsu Strawbear**") (江蘇稻草熊影業有限公司) *(note (b), (c))* | PRC/Chinese Mainland 13 June 2014 | RMB10,000,000 | – | 100 | Investment in production, distribution and licensing of broadcasting rights of drama series |

## 1. CORPORATE AND GROUP INFORMATION (CONT'D)

### Information about subsidiaries (cont'd)

Particulars of the Company's principal subsidiaries are as follows: (cont'd)

| Name | Place and date of incorporation/ registration and place of operations | Nominal value of issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Horgos Strawbear Film Co., Ltd. ("**Horgos Strawbear**") (霍爾果斯稻草熊影業有限公司) *(note (b), (c))* | PRC/Chinese Mainland 4 August 2016 | RMB3,000,000 | – | 100 | Investment in production, distribution and licensing of broadcasting rights of drama series |
| Beijing Strawbear Film Co., Ltd. (北京稻草熊影業有限公司) *(note (b), (c))* | PRC/Chinese Mainland 2 September 2019 | RMB3,000,000 | – | 100 | Investment in production, distribution and licensing of broadcasting rights of drama series |
| Hangzhou Yide Cultural Creativity Co., Ltd. ("**Hangzhou Yide**") (杭州懿德文化創意有限公司) *(note (b), (c))* | PRC/Chinese Mainland 25 June 2015 | RMB12,500,000 | – | 100 | Production, distribution and licensing of broadcasting rights of drama series |
| Wuxi Strawbear Cultural Media Co., Ltd. ("**Wuxi Strawbear**") (無錫稻草熊文化傳媒有限公司) *(note (b))* | PRC/Chinese Mainland 4 June 2020 | RMB1,000,000 | – | 60 | Screenplay development and assessment |
| Hainan Yiming Culture Media Technology Co., Ltd. ("**Hainan Yiming**") (海南翼鳴文化傳媒科技有限公司) *(note (b), (c))* | PRC/Chinese Mainland 1 November 2021 | RMB5,000,000 | – | 100 | Investment in production, distribution and licensing of broadcasting rights of drama series |
| Hainan Xuxuxing Culture Media Technology Co., Ltd. ("**Hainan Xuxuxing**") (海南徐徐行文化傳媒科技有限公司) *(note (b), (c))* | PRC/Chinese Mainland 26 November 2021 | RMB3,000,000 | – | 80 | Investment in production, distribution and licensing of broadcasting rights of drama series |

## 1. CORPORATE AND GROUP INFORMATION (CONT'D)

### Information about subsidiaries (cont'd)

Particulars of the Company's principal subsidiaries are as follows: (cont'd)

| Name | Place and date of incorporation/ registration and place of operations | Nominal value of issued ordinary/ registered share capital | Percentage of equity attributable to the Company Direct | Percentage of equity attributable to the Company Indirect | Principal activities |
|---|---|---|---|---|---|
| Hainan Magic Stone Film and Television Media Co., Ltd. (海南魔石影視傳媒有限公司) *(note (b), (c))* | PRC/Chinese Mainland 23 April 2021 | RMB3,000,000 | – | 100 | Investment in production, distribution and licensing of broadcasting rights of drama series |
| Hainan Jiujun Audio-Visual Communication Co., Ltd. (海南九珺視聽傳播有限公司 *(note (b), (c))* | PRC/Chinese Mainland 6 July 2021 | RMB3,000,000 | – | 80 | Investment in production, distribution and licensing of broadcasting rights of drama series |
| Hangzhou Xiaobaiyang Film and Television Co., Ltd. (杭州小白楊影視有限公司) *(note (b), (c))* | PRC/Chinese Mainland 23 September 2022 | RMB5,000,000 | – | 55 | Investment in production, distribution and licensing of broadcasting rights of drama series |
| Zhejiang Xiangliangliang Film and Television Culture Co., Ltd. (浙江響亮亮影視文化有限公司) *(note (b), (c))* | PRC/Chinese Mainland 24 July 2023 | RMB10,000,000 | – | 100 | Investment in production, distribution and licensing of broadcasting rights of drama series |

*Notes:*

(a) These entities are registered as wholly-foreign-owned enterprises under PRC law.

(b) These entities are limited liability enterprises established under PRC law.

(c) These entities are controlled by the company through a series of contractual arrangements entered into between Nanjing Strawbear and these entities. These entities are collectively referred to as the "Consolidated Affiliated Entities".

## 1. CORPORATE AND GROUP INFORMATION (CONT'D)

### Information about subsidiaries (cont'd)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 2. ACCOUNTING POLICIES

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

## 2.1 BASIS OF PREPARATION (CONT'D)

### Basis of consolidation (cont'd)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| HKFRS 17 | *Insurance Contracts* |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to HKAS 8 | *Definition of Accounting Estimates* |
| Amendments to HKAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to HKAS 12 | *International Tax Reform – Pillar Two Model Rules* |

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materially Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group has applied the amendments on the treatment of temporary differences arising from lease from beginning, the amendments did not have any impact on the financial position or performance of the Group.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below: (Cont'd)

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback*[1] |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[1, 4] |
| Amendments to HKAS 1 | *Non-current Liabilities with Covenants* (the "**2022 Amendments**")[1, 4] |
| Amendments to HKAS 7 and HKFRS 7 | *Supplier Finance Arrangements*[1] |
| Amendments to HKAS 21 | *Lack of Exchangeability*[2] |

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.4 MATERIAL ACCOUNTING POLICIES

### Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Business combinations and goodwill

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

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

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

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

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Business combinations and goodwill (cont'd)

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

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

### Fair value measurement

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

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

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

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

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

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an non-financial asset is required (other than inventories, deferred tax assets, financial assets, and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Property, plant and equipment and depreciation

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

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

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

| | |
|---|---|
| Electronic equipment | 19.0% – 33.3% |
| Motor vehicles | 19.0% |
| Office equipment | 19.0% |
| Leasehold improvements | 20.0% – 33.3% |

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Intangible assets (other than goodwill)

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

*Software*

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 3 to 5 years.

*Trademarks*

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

*Backlog*

Backlog is stated at cost less any impairment loss and is amortised based on the consumption upon the fulfilment of the underlying contracts with customers.

### Leases

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

*Group as a lessee*

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

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Leases (cont'd)

*Group as a lessee (cont'd)*

(a) Right-of-use assets

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

| | |
|---|---|
| Office premises | 2 to 5 years |

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

(b) Lease liabilities

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

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

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

(c) Short-term leases

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

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Investments and other financial assets

*Initial recognition and measurement*

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

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

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

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

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

*Subsequent measurement*

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

*Financial assets at amortised cost (debt instruments)*

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

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Investments and other financial assets (cont'd)

*Subsequent measurement (cont'd)*

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

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

*Financial assets at fair value through profit or loss*

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

### Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Impairment of financial assets

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

*General approach*

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Impairment of financial assets (cont'd)

*General approach (cont'd)*

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

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

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

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

*Simplified approach*

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

### Financial liabilities

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings, or as payables, as appropriate.

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

The Group's financial liabilities include trade and other payables, lease liabilities and interest-bearing bank and other borrowings.

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Financial liabilities (cont'd)

*Subsequent measurement*

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

*Financial liabilities at amortised cost (trade and other payables, and borrowings)*

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss. If an entity revises its estimates of payments or receipts (excluding modifications in accordance with HKFRS 9.5.4.3 and changes in estimates of expected credit losses), it shall adjust the gross carrying amount of the financial asset or amortised cost of a financial liability (or group of financial instruments) to reflect actual and revised estimated contractual cash flows. The entity recalculates the gross carrying amount of the financial asset or amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The adjustment is recognised in profit or loss as income or expense.

### Derecognition of financial liabilities

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

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

### Offsetting of financial instruments

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

### Treasury shares

Own equity instruments which are required and held by the trustee under the RSU Scheme to hold on trust for the grantees (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Inventories

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

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

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

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

When co-investors are not entitled to any shares of copyrights in drama series they invested in under co-investment arrangements and the Group is obligated to share the licensing revenue with such co-investors at a fixed return basis or based on the respective investment ratio, the amounts received from such co-investors are recognised as financial liabilities.

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

The amount paid under co-financing arrangements to third-party investors by the Group where the Group is not entitled to any shares of legal rights (i.e. copyrights, broadcasting rights) of the drama series is recognised as financial assets.

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Income tax

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

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

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

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

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

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

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

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Income tax (cont'd)

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

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

### Government grants

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

### Revenue recognition

*Revenue from contracts with customers*

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Revenue recognition (cont'd)

*Revenue from contracts with customers (cont'd)*

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

(a) Licensing of broadcasting rights of drama series

Revenue from the licensing of broadcasting rights of drama series is recognised at the point in time when the drama series are available to the licensee, generally on delivery of the drama series after the approval from the NRTA or receipt of the license for distribution of drama series from the provincial counterpart of the NRTA when a customer is provided with a right to use the drama series as it exists at the point in time when the license is granted. The Group does not expect to have any contracts where the period between the transfer of the licensed drama series to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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

Revenue from the production of made-to-order drama series is recognised over time, using an input method to measure progress towards complete production of made-to-order drama series, because the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced.

Broadcasting is accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

*Revenue from other sources*

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

Net licensing fees received from investments in drama series as a non-executive producer with share of legal rights (i.e. copyrights, broadcasting rights) are recognised when the investors' right to receive payment has been established, it is probable that the economic benefits associated with the investment income will flow to the Group and the amount can be measured reliably. Revenue of this type is measured at the amount of net licensing fees paid to the Group and the relevant inventories are recognised in cost of sales when the revenue is recognised.

Net licensing fees received from investments in drama series without share of legal rights (i.e. copyrights, broadcasting rights) are recognised in accordance with HKFRS 9. Revenue of this type is measured at the amount of changes in fair value of these financial assets, which accumulatively and eventually equals to the total of the net licensing fees paid to the Group less the sum paid by the Group under the co-financing arrangement.

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Contract liabilities

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

### Share-based payments

The Company operates a share award plan. Employees (including directors) and non-employees of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted. The cost of equity-settled transactions with non-employees is measured by reference to the fair value of the goods or services received at the date they are received. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 30 to the financial statements.

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Share-based payments (cont'd)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

### Other employee benefits

*Pension scheme*

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

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

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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

### Dividends

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

Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. As the major revenues and assets of the Group are derived from operations in Chinese Mainland, RMB is chosen as the presentation currency to present the financial statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### Judgements

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

*Contractual Arrangements*

The Consolidated Affiliated Entities are engaged in the production, distribution and licensing of broadcasting rights of drama series. Under the scope of "Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2019 Version)", foreign investors are prohibited to invest in such business.

The Group exercises control over the Consolidated Affiliated Entities and enjoys substantially all economic benefits of the Consolidated Affiliated Entities through the Contractual Arrangements.

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

*Principal versus agent*

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal that obtains control of any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; (iii) a good or service from the other party that the Group then combines with other goods or services in providing the specified good or service to the customer. If control is unclear, and when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

### Estimation uncertainty

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

*Provision and write-down of inventories to net realisable value*

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

*Impairment of non-financial assets (other than goodwill)*

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

*Provision for expected credit losses on trade receivables*

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

### Estimation uncertainty (cont'd)

*Provision for expected credit losses on other receivables*

The Group has applied the general approach to provide for expected credit losses for other receivables and considered the default event, historical loss rate and adjusted for forward-looking macroeconomic data in calculating the expected credit loss rate, details of which are set out in note 21 to the financial statements.

*Amortisation of inventories*

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

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

*Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2023 was RMB52,355,000 (2022: RMB38,445,000). Further details are contained in note 27 to the financial statements.

*Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB108,341,000 (2022: RMB108,341,000). Further details are given in note 15.

*Fair value measurement of share-based payments*

The Company operates a share award plan for the purpose of providing incentives and rewards to employees (including directors) and non-employees. The fair value of the share award is determined using a binomial model at the grant dates. Significant estimates on assumptions, including the expected volatility, risk-free interest rate and expected life of options, are made by the board of directors of the Company. Further details are included in note 30 to the financial statements.

## 4. OPERATING SEGMENT INFORMATION

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

### Geographical information

*(a) Revenue from external customers*

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Chinese Mainland | **840,663** | 980,898 |
| Others | **–** | 25 |
| Total revenue | **840,663** | 980,923 |

The revenue information above is based on the locations of the customers.

*(b) Non-current assets*

The Group's non-current assets are all located in Chinese Mainland.

### Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the years ended 31 December 2023 and 2022 is set out below:

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Customer 1 | **324,434** | 745,504 |
| Customer 2 | **94,985** | N/A* |
| Customer 3 | **N/A*** | 190,566 |

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the year.

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| *Revenue from contracts with customers* | **840,663** | 978,862 |
| *Revenue from other sources* | | |
| Net licensing fee received from investments in drama series as a non-executive producer with share of copyrights | **–** | 2,061 |
| Total | **840,663** | 980,923 |

### Revenue from contracts with customers

*(i) Disaggregated revenue information*

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Types of goods or services** | | |
| Licensing of the broadcasting rights of drama series | **749,233** | 481,025 |
| Made-to-order drama series production | **83,647** | 495,877 |
| Others | **7,783** | 1,960 |
| Total | **840,663** | 978,862 |
| **Geographical markets** | | |
| Chinese Mainland | **840,663** | 978,837 |
| Others | **–** | 25 |
| Total | **840,663** | 978,862 |

## 5. REVENUE, OTHER INCOME AND GAINS (CONT'D)

### Revenue from contracts with customers (cont'd)

*(i) Disaggregated revenue information (cont'd)*

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **757,016** | 482,985 |
| Services transferred over time | **83,647** | 495,877 |
| Total | **840,663** | 978,862 |

The following table shows the amounts revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period.

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period | **91,712** | 389,679 |

All revenue arising from made-to-order drama series production for the reporting period was recognised from performance obligations partially satisfied in previous periods due to constraints on variable consideration.

*(ii) Performance obligations*

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

Licensing of the broadcasting rights of drama series
The performance obligation is satisfied as the broadcasting rights are authorised and the customer can begin exhibiting or selling the drama series and payment is generally due within three months to six months.

Made-to-order drama series production
The performance obligation is satisfied as the drama series are complete in accordance with the terms of the contract and the customer can begin exhibiting or selling the drama series.

Others
The revenue received from the licensing of drama series' side products including games, advertisements, sale of script copyrights, acting as a distribution agent and others, and payment is generally due within three months to six months.

## 5. REVENUE, OTHER INCOME AND GAINS (CONT'D)

### Revenue from contracts with customers (cont'd)

*(ii) Performance obligations (cont'd)*

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Amounts expected to be recognised as revenue: | | |
| Within one year | **189,771** | 77,025 |

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Government grants – related to income *(Note)* | **4,677** | 21,459 |
| Bank interest income | **2,968** | 2,707 |
| Interest income from loans receivable | **6,881** | 7,092 |
| Interest income from amount due from a joint venture | **–** | 1,438 |
| Foreign exchange differences, net | **–** | 832 |
| Change in fair value of financial assets at fair value through profit or loss | **–** | 188 |
| Others | **1,043** | 173 |
| Total other income and gains | **15,569** | 33,889 |

*Note:*

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

## 6. (LOSS)/PROFIT BEFORE TAX

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

| | *Notes* | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|---|
| Cost of inventories sold | | **760,456** | 755,031 |
| Depreciation of property, plant and equipment | *13* | **1,580** | 1,133 |
| Depreciation of right-of-use assets | *14(a)* | **4,012** | 3,502 |
| Amortisation of other intangible assets* | *16* | **3** | 14,503 |
| Government grants | | **(4,677)** | (21,459) |
| Bank interest income | | **(2,968)** | (2,707) |
| Interest income from loans receivable | | **(6,881)** | (7,092) |
| Interest income from amount due from a joint venture | | **–** | (1,438) |
| Changes in fair value of financial assets and liabilities at fair value through profit or loss | | **255** | (188) |
| Lease payments not included in the measurement of lease liabilities | *14(c)* | **615** | 122 |
| Auditor's remuneration | | **2,800** | 2,800 |
| Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*): | | | |
| Wages and salaries | | **18,874** | 12,005 |
| Equity-settled share award expense | | **5,790** | 7,594 |
| Pension scheme contributions** | | **1,678** | 904 |
| Staff welfare expenses | | **237** | 487 |
| Total | | **26,579** | 20,990 |
| Loss on disposal of items of property, plant and equipment | | **29** | – |
| Loss on disposal of an associate | | **–** | 53 |
| Foreign exchange differences, net | | **380** | (832) |
| Impairment of financial assets, net: | | | |
| Impairment of trade receivables, net | *20* | **22,666** | 1,154 |
| Impairment of other receivables, net | *21* | **844** | 6,984 |
| Impairment of amount due from a joint venture, net | | **–** | 31,028 |
| Total | | **23,510** | 39,166 |
| Write-down of inventories to net realisable value*** | | **16,950** | 6,139 |

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

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

*** The write-down of inventories to net realisable value for the year is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Interest on bank loans | **12,063** | 10,745 |
| Interest on borrowings from third parties | **142** | 1,307 |
| Interest on discounted notes receivable | **1,814** | 4,443 |
| Interest on discounted trade receivables | **–** | 497 |
| Interest on lease liabilities | **229** | 337 |
| Total | **14,248** | 17,329 |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Fees | **645** | 615 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **3,479** | 3,327 |
| Pension scheme contributions | **147** | 156 |
| Equity-settled share option expense | **13,630** | 15,961 |
| Subtotal | **17,256** | 19,444 |
| Total fees and other emoluments | **17,901** | 20,059 |

In prior year, a director was granted share options, in respect of his services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such option, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONT'D)

### Independent non-executive directors

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

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Mr. Ma Zhongjun | 215 | 205 |
| Mr. Zhang Senquan | 215 | 205 |
| Mr. Chung Chong Sun | 215 | 205 |
| Total | 645 | 615 |

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

### Executive directors, non-executive directors and the chief executive

| | Fees<br>RMB'000 | Salaries, allowances and benefits in kind<br>RMB'000 | Performance related bonuses<br>RMB'000 | Pension scheme contributions<br>RMB'000 | Equity-settled share option expense<br>RMB'000 | Total remuneration<br>RMB'000 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Executive directors: | | | | | | |
| Mr. Liu Xiaofeng | – | 1,016 | – | 43 | 13,630 | 14,689 |
| Mr. Chen Chen | – | 1,016 | – | 43 | – | 1,059 |
| Ms. Zhang Qiucheng* | – | 431 | – | 18 | – | 449 |
| Ms. Zhai Fang | – | 1,016 | – | 43 | – | 1,059 |
| Subtotal | – | 3,479 | – | 147 | 13,630 | 17,256 |
| Non-executive directors: | | | | | | |
| Mr. Wang Xiaohui | – | – | – | – | – | – |
| Ms. Liu Fan | – | – | – | – | – | – |
| Subtotal | – | – | – | – | – | – |
| Total | – | 3,479 | – | 147 | 13,630 | 17,256 |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONT'D)

### Executive directors, non-executive directors and the chief executive (cont'd)

| | Fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Performance related bonuses RMB'000 | Pension scheme contributions RMB'000 | Equity-settled share option expense RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| Executive directors: | | | | | | |
| Mr. Liu Xiaofeng | – | 924 | – | 39 | 15,961 | 16,924 |
| Mr. Chen Chen | – | 864 | – | 39 | – | 903 |
| Ms. Zhang Qiucheng | – | 615 | – | 39 | – | 654 |
| Ms. Zhai Fang | – | 924 | – | 39 | – | 963 |
| Subtotal | – | 3,327 | – | 156 | 15,961 | 19,444 |
| Non-executive directors: | | | | | | |
| Mr. Wang Xiaohui | – | – | – | – | – | – |
| Ms. Liu Fan** | – | – | – | – | – | – |
| Mr. Zeng Ying** | – | – | – | – | – | – |
| Subtotal | – | – | – | – | – | – |
| Total | – | 3,327 | – | 156 | 15,961 | 19,444 |

* Ms. Zhang Qiuchen resigned as an executive director of the Company on 4 May 2023.

** Ms. Zeng Ying resigned as a non-executive director of the Company on 19 April 2022. Ms. Liu Fan was appointed as a non-executive director of the Company on 19 April 2022.

Mr. Liu Xiaofeng is the chief executive of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three directors (2022: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Salaries, bonuses, allowances and benefits in kind | 2,068 | 2,051 |
| Pension scheme contributions | 106 | 115 |
| Equity-settled share award expense | 1,133 | 3,061 |
| Total | 3,307 | 5,227 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

| | Number of employees | |
|---|---|---|
| | 2023 | 2022 |
| Nil to HK$1,000,000 | – | – |
| HK$1,000,001 to HK$1,500,000 | 1 | 2 |
| HK$1,500,001 to HK$2,000,000 | – | – |
| HK$2,000,001 to HK$2,500,000 | 1 | – |
| HK$2,500,001 to HK$3,000,000 | – | – |
| HK$3,000,001 to HK$3,500,000 | – | 1 |
| Total | 2 | 3 |

During the year and in prior years, share awards were granted to non-director and non-chief executive highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such share awards, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

## 10. INCOME TAX

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

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

The statutory tax rate for the subsidiary in Hong Kong is 16.5% (2022: 16.5%). No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the year.

The provision for current income tax in Chinese Mainland is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law. Horgos Strawbear, Wuxi Strawbear, Hainan Xuxuxing and Hainan Yiming are recognised as Small and Low-profit Enterprises, and the first RMB1,000,000 (2022: RMB1,000,000) of assessable profits of these subsidiaries are entitled to a preferential tax rate of 5% (2022: 2.5%) and the remaining assessable profits less than RMB2,000,000 (2022: RMB2,000,000) are entitled to a preferential tax rate of 5% (2022: 5%) during the year.

(a) The major components of the income tax expense of the Group during the year are analysed as follows:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Current – Chinese Mainland | | |
| Charge for the year | **3,764** | 32,732 |
| Deferred tax *(note 27)* | **(13,741)** | (4,803) |
| Total tax (credit)/charge for the year | **(9,977)** | 27,929 |

## 10. INCOME TAX (CONT'D)

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

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| (Loss)/profit before tax | **(117,486)** | 77,936 |
| Tax at the statutory tax rate of 25% in Chinese Mainland | **(29,372)** | 19,484 |
| Effect of tax rate differences in other jurisdictions | **842** | 28 |
| Tax effect of tax exemption granted to subsidiaries | **244** | 185 |
| Expenses not deductible for tax | **12,786** | 845 |
| Tax losses utilised from previous periods | **(1,112)** | (2,552) |
| Profits and losses attributable to joint ventures and associates | **405** | 752 |
| Temporary differences not recognised | **1,741** | 6,803 |
| Tax losses not recognised | **4,489** | 2,384 |
| Tax (credit)/charge at the Group's effective tax rate | **(9,977)** | 27,929 |

## 11. DIVIDENDS

The board of directors has resolved not to recommend payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

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

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares for the year ended 31 December 2023 is adjusted to reflect the shares repurchased for the trustee under the restricted share unit scheme adopted by the Company in 2021 ("**2021 RSU Scheme**") and restricted share unit scheme adopted by the Company in 2022 ("**2022 RSU Scheme**") during the year.

The calculation of the diluted (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares arising from the restricted share units and the share options.

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

The calculations of basic and diluted earnings per share are based on:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| (Loss)/earnings | | |
| (Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **(109,307)** | 50,933 |

| | Number of shares | |
|---|---|---|
| | 2023 | 2022 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | **677,263,086** | 675,075,687 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Restricted share units | **N/A*** | 5,057,218 |
| Share options | **N/A*** | 21,482,542 |
| Total | **N/A*** | 701,615,447 |

* No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2023 in respect of a dilution as the impact of the restricted share units and share options had an anti-dilutive effect on the basic loss per share amount presented.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Electronic equipment RMB'000 | Motor Vehicles RMB'000 | Office equipment RMB'000 | Leasehold improvements RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **31 December 2023** | | | | | |
| At 1 January 2023: | | | | | |
| Cost | 773 | 4,613 | 747 | 3,403 | 9,536 |
| Accumulated depreciation | (497) | (2,809) | (536) | (1,286) | (5,128) |
| Net carrying amount | 276 | 1,804 | 211 | 2,117 | 4,408 |
| At 1 January 2023, net of accumulated depreciation | 276 | 1,804 | 211 | 2,117 | 4,408 |
| Additions | 69 | 464 | 482 | 1,117 | 2,132 |
| Disposals | (10) | – | (19) | – | (29) |
| Depreciation provided during the year | (113) | (482) | (117) | (868) | (1,580) |
| At 31 December 2023, net of accumulated depreciation | 222 | 1,786 | 557 | 2,366 | 4,931 |
| At 31 December 2023: | | | | | |
| Cost | 588 | 5,077 | 850 | 4,520 | 11,035 |
| Accumulated depreciation | (366) | (3,291) | (293) | (2,154) | (6,104) |
| Net carrying amount | 222 | 1,786 | 557 | 2,366 | 4,931 |

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Electronic equipment RMB'000 | Motor Vehicles RMB'000 | Office equipment RMB'000 | Leasehold improvements RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **31 December 2022** | | | | | |
| At 1 January 2022: | | | | | |
| Cost | 652 | 3,915 | 649 | 2,337 | 7,553 |
| Accumulated depreciation | (394) | (2,282) | (468) | (1,511) | (4,655) |
| Net carrying amount | 258 | 1,633 | 181 | 826 | 2,898 |
| At 1 January 2022, net of accumulated depreciation | 258 | 1,633 | 181 | 826 | 2,898 |
| Additions | 121 | 698 | 98 | 1,726 | 2,643 |
| Depreciation provided during the year | (103) | (527) | (68) | (435) | (1,133) |
| At 31 December 2022, net of accumulated depreciation | 276 | 1,804 | 211 | 2,117 | 4,408 |
| At 31 December 2022: | | | | | |
| Cost | 773 | 4,613 | 747 | 3,403 | 9,536 |
| Accumulated depreciation | (497) | (2,809) | (536) | (1,286) | (5,128) |
| Net carrying amount | 276 | 1,804 | 211 | 2,117 | 4,408 |

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for office premises used in its operations. Leases of office premises generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

*(a) Right-of-use assets*

| | **Office premises** RMB'000 |
|---|---|
| As at 1 January 2022 | 7,828 |
| Additions | 1,834 |
| Depreciation provided during the year *(note 6)* | (3,502) |
| As at 31 December 2022 and at 1 January 2023 | 6,160 |
| Additions | 5,682 |
| Depreciation provided during the year *(note 6)* | (4,012) |
| As at 31 December 2023 | 7,830 |

*(b) Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Carrying amount at 1 January | **5,299** | 7,191 |
| New leases | **5,682** | 1,834 |
| Accretion of interest recognised during the year | **229** | 337 |
| Payments | **(4,275)** | (4,063) |
| Carrying amount at 31 December | **6,935** | 5,299 |
| Analysed into: | | |
| Current portion | **3,614** | 3,051 |
| Non-current portion | **3,321** | 2,248 |

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

## 14. LEASES (CONT'D)

### The Group as a lessee (cont'd)

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

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Interest on lease liabilities | **229** | 337 |
| Depreciation charge of right-of-use assets | **4,012** | 3,502 |
| Expenses relating to short term leases (included in administrative expenses) | **615** | 122 |
| Total amount recognised in profit or loss | **4,856** | 3,961 |

*(d)* The total cash outflow for leases is disclosed in note 31(c) to the financial statements.

## 15. GOODWILL

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Cost and net carrying amount at beginning of year and at end of year | **108,341** | 108,341 |

### Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the Hangzhou Yide cash-generating unit for impairment testing.

## 15. GOODWILL (CONT'D)

### Impairment testing of goodwill (cont'd)

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

| | 2023<br>% | 2022<br>% |
|---|---|---|
| Gross profit margin | **14** | 14 |
| Terminal growth rate | **3** | 3 |
| Pre-tax discount rate | **20.0** | 19.3 |

Assumptions were used in the value in use calculation of the Hangzhou Yide cash-generating unit for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gross profit margin and operating expenses – Gross profit margin is based on the average gross profit margin achieved in the year immediately before the budget year and is increased over the budget period for anticipated efficiency improvements. Estimates on operating expenses reflect management's commitment to maintain them at an acceptable level.

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

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

The values assigned to the key assumptions on gross profit margin and operating expenses, annual revenue growth rate, discount rate and terminal growth rate are consistent with management's past experience and external information sources.

## 16. OTHER INTANGIBLE ASSETS

| | Software RMB'000 | Trademarks RMB'000 | Backlog RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **31 December 2023** | | | | |
| At 1 January 2023: | | | | |
| Cost | **3** | **30** | **42,900** | **42,933** |
| Accumulated amortisation | **(3)** | **(19)** | **(42,900)** | **(42,922)** |
| Net carrying amount | **–** | | **–** | **11** |
| Cost at 1 January 2023, net of accumulated amortisation | **–** | **11** | **–** | **11** |
| Amortisation provided during the year | **–** | **(3)** | **–** | **(3)** |
| At 31 December 2023 | **–** | **8** | **–** | **8** |
| At 31 December 2023: | | | | |
| Cost | **3** | **30** | **42,900** | **42,933** |
| Accumulated amortisation | **(3)** | **(22)** | **(42,900)** | **(42,925)** |
| Net carrying amount | **–** | **8** | **–** | **8** |

| | Software RMB'000 | Trademarks RMB'000 | Backlog RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **31 December 2022** | | | | |
| At 1 January 2022: | | | | |
| Cost | 3 | 30 | 42,900 | 42,933 |
| Accumulated amortisation | (3) | (16) | (28,400) | (28,419) |
| Net carrying amount | – | 14 | 14,500 | 14,514 |
| Cost at 1 January 2022, net of accumulated amortisation | – | 14 | 14,500 | 14,514 |
| Amortisation provided during the year | – | (3) | (14,500) | (14,503) |
| At 31 December 2022 | – | 11 | – | 11 |
| At 31 December 2022: | | | | |
| Cost | 3 | 30 | 42,900 | 42,933 |
| Accumulated amortisation | (3) | (19) | (42,900) | (42,922) |
| Net carrying amount | – | 11 | – | 11 |

## 17. INVESTMENTS IN JOINT VENTURES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Share of net assets | **1,314** | 1,312 |

The Group's balances and transactions with the joint ventures are disclosed in note 34 to the financial statements.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Share of the joint ventures' losses for the year | **(452)** | (4,357) |
| Share of the joint ventures' total comprehensive loss for the year | **(452)** | (4,357) |
| Aggregate carrying amount of the Group's investments in joint ventures | **1,314** | 1,312 |

The Group's shareholdings in the joint ventures are held through wholly-owned subsidiaries of the Company and the Consolidated Affiliated Entities.

## 18. INVESTMENTS IN ASSOCIATES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Share of net assets | **21,432** | 7,197 |

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Share of the associates' profits/(losses) for the year | **1,613** | (225) |
| Share of the associates' total comprehensive income/(loss) for the year | **1,613** | (225) |
| Aggregate carrying amount of the Group's investments in associates | **21,432** | 7,197 |

The Group's shareholdings in the associates all comprise equity shares held by wholly-owned subsidiaries of the Company and the Consolidated Affiliated Entities.

The Group has discontinued the recognition of its share of losses of associate Xiangshan Xingyu Yinyue Culture Media Co., Ltd. because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were RMB514,000 (2022: RMB14,570,000) and RMB15,084,000 (2022: RMB14,570,000), respectively.

In September 2023, the Group invested in a 15% interest in an associate with an amount of RMB15,000,000. The consideration for the investment was in the form of cash and was fully paid in December 2023.

In December 2023, the Group disposed of an associate with an unanimous agreement with other shareholders of the associate at a nil consideration, and no loss was recorded on disposal of the associate.

## 19. INVENTORIES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Raw materials | **220,144** | 178,178 |
| Work in progress | **682,032** | 157,453 |
| Finished goods | **406,305** | 773,802 |
| Total | **1,308,481** | 1,109,433 |

## 20. TRADE AND NOTES RECEIVABLES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Trade receivables | **554,578** | 449,956 |
| Notes receivable | **40,700** | 113,838 |
| | **595,278** | 563,794 |
| Impairment | **(41,105)** | (18,439) |
| Net carrying amount | **554,173** | 545,355 |

The Group's trading terms with its customers are mainly on credit. The credit period is generally 15 to 365 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Within 3 months | **139,309** | 64,355 |
| 3 to 6 months | **176,124** | 66,971 |
| 6 to 12 months | **128,125** | 150,510 |
| 1 to 2 years | **37,271** | 141,199 |
| 2 to 3 years | **32,644** | 8,482 |
| Total | **513,473** | 431,517 |

## 20. TRADE AND NOTES RECEIVABLES (CONT'D)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing and past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

**As at 31 December 2023**

| | Trade receivables ageing | | | | | |
|---|---|---|---|---|---|---|
| | Current | Less than 1 year and past due | 1 to 2 years and past due | 2 to 3 years and past due | More than 3 years and past due | Total |
| Expected credit loss rate | **0.59%** | **1.94%** | **15.77%** | **32.91%** | **100.00%** | **7.41%** |
| Gross carrying amount RMB'000 | **129,622** | **314,583** | **44,248** | **57,903** | **8,222** | **554,578** |
| Expected credit losses RMB'000 | **759** | **6,094** | **6,977** | **19,053** | **8,222** | **41,105** |

**As at 31 December 2022**

| | Trade receivables ageing | | | | | |
|---|---|---|---|---|---|---|
| | Current | Less than 1 year and past due | 1 to 2 years and past due | 2 to 3 years and past due | More than 3 years and past due | Total |
| Expected credit loss rate | 0.03% | 1.88% | 8.38% | 50.87% | 100.00% | 4.10% |
| Gross carrying amount RMB'000 | 111,078 | 216,527 | 114,129 | 7,000 | 1,222 | 449,956 |
| Expected credit losses RMB'000 | 30 | 4,066 | 9,560 | 3,561 | 1,222 | 18,439 |

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

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| At beginning of year | **18,439** | 17,285 |
| Impairment losses recognised, net *(note 6)* | **22,666** | 1,154 |
| At end of year | **41,105** | 18,439 |

## 20. TRADE AND NOTES RECEIVABLES (CONT'D)

The increase (2022: increase) in the loss allowance of RMB22,666,000 was mainly due to an increase of trade receivables which were past due for over 2 years and more than 3 years (2022: increase in the loss allowance of RMB1,154,000 was mainly due to an increase of trade receivables which were past due for over 2 years).

Included in the Group's trade and notes receivables were amounts due from the Group's related parties of RMB208,209,000 (2022: RMB320,529,000), which were repayable on credit terms similar to those offered to the major customers of the Group.

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

The Group's trade receivables with an aggregate net carrying value of approximately RMB5,200,000 (2022: RMB211,384,000) were pledged to secure bank loans granted to the Group (note 26).

At 31 December 2023, notes receivable of RMB40,700,000 (2022: RMB21,888,000), whose fair values approximate to their carrying values, were classified as financial assets at fair value through other comprehensive income under HKFRS 9.

At 31 December 2023, the Group endorsed certain notes receivable accepted by banks in Chinese Mainland (the "**Endorsed Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**") with a carrying amount in aggregate of RMB2,000,000 (2022: RMB78,200,000). In addition, at 31 December 2023, the Group discounted certain notes receivable accepted by certain banks in Chinese Mainland (the "**Discounted Notes**") with a carrying amount in aggregate of RMB8,400,000 (2022: RMB49,500,000). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**").

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes and Discounted Notes accepted by large and reputable banks with an amount of RMB2,000,000 (2022: RMB44,000,000) and RMB8,400,000 (2022: Nil), respectively, as at 31 December 2023 (the "**Derecognised Notes**"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables settled by the Endorsed Notes.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

At 31 December 2023, no such remaining Endorsed Notes that the Group continued to recognise the full carrying amount and the associated trade payables settled (2022: RMB34,200,000), and no proceeds received from the discount of the remaining Discounted Notes that the Group continued to recognise as short-term loan (2022: RMB49,500,000) because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes and Discounted Notes. During the year, the Group recognised the interest expense on the discounted notes receivable amounting to RMB1,814,000 (2022: RMB4,443,000).

## 21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Prepayments under the co-investment arrangements | **102,730** | 97,957 |
| Prepayments *(note (a))* | **133,611** | 118,980 |
| Deductible input value-added tax | **16,561** | 26,074 |
| Prepaid income tax | **19,354** | 21,067 |
| Deposits and other receivables | **19,945** | 22,776 |
| Loans receivable *(note (b))* | **42,547** | 99,389 |
| Due from a director *(note (c))* | **1,405** | – |
| | **336,153** | 386,243 |
| Impairment allowance *(note (d))* | **(7,828)** | (6,984) |
| Total | **328,325** | 379,259 |

*Notes:*

(a) Included in the prepayments were amounts due from the Group's related parties of RMB4,160,000 (2022: Nil).

(b) Loans receivable represent the financial investments in certain drama series and loans provided to third parties. Included in the loans receivable, RMB29,440,000 (2022: RMB41,000,000) were the financial investments in certain drama series provided to third parties. The Group made an investment in certain drama series under arrangements, under which the Group is entitled to a fixed investment return based on the principal investment amount, the agreed rate of return and the investment period rather than exposure to the risk of variable returns of the invested drama series. The remaining balances represent loans provided to third parties.

**As at 31 December 2023**

| | **Effective interest rate** | **Maturity** | **RMB'000** |
|---|---|---|---|
| Denominated in RMB | **10%** | **30 June 2024** | **15,440** |
| Denominated in RMB | **10%** | **Past due** | **6,000** |
| Denominated in RMB | **12%** | **Past due** | **5,000** |
| Denominated in RMB | **8%** | **On demand** | **3,000** |
| Total | | | **29,440** |

**As at 31 December 2022**

| | Effective interest rate | Maturity | RMB'000 |
|---|---|---|---|
| Denominated in RMB | 10% | 31 March 2023 | 6,000 |
| Denominated in RMB | 12% | 31 March 2023 | 5,000 |
| Denominated in RMB | 10% | On demand | 30,000 |
| Total | | | 41,000 |

## 21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONT'D)

*Notes: (cont'd)*

(c) Due from a director

Due from a director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

| Name | At 31 December 2023 RMB'000 | Maximum amount outstanding during the year RMB'000 | At 31 December 2022 and 1 January 2023 RMB'000 | Maximum amount outstanding during the prior year RMB'000 | At 1 January 2022 RMB'000 |
|---|---|---|---|---|---|
| Mr. Liu Xiaofeng | 1,405 | 1,405 | – | – | – |

The Group paid on behalf of a director of the Company for his liability of withholding individual income tax arising from exercise of share options. The balance is unsecured, interest-free and repayable on demand and it is fully settled in March 2024.

(d) An impairment analysis was performed at the end of each reporting period by considering the probability of default of comparable companies with published credit ratings, where applicable. The Group has applied the general approach to provide for expected credit losses for non-trade loans receivable, deposits and other receivables under HKFRS 9. As at 31 December 2023, the probability of default applied ranged from 1.62% to 25.30% (2022: 1.71% to 6.90%) and the loss given default was estimated to be in the range from 45% to 100% (2022: 45% to 100%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied where there were no comparable companies as of 31 December 2023 ranged from 1.62% to 18.98% (2022: 1.71% to 5.18%).

The movements in the loss allowance for impairment of loans receivable, deposits and other receivables are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| At beginning of year | **6,984** | – |
| Impairment losses recognised *(note 6)* | **844** | 6,984 |
| At end of year | **7,828** | 6,984 |

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Investment in drama series without copyright, at fair value | **11,147** | 11,402 |

The above investment represents the Group's investments in drama series production of which the Group is not entitled to the copyrights. Instead, the Group is entitled to the share of income generated from such productions of drama series based on percentages reflecting the Group's investment in accordance with the respective co-investment arrangements. They are mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The fair value of the investment with a carrying amount of RMB11,147,000 is determined by discounted cash flow valuation technique.

Below is a summary of significant unobservable inputs to the valuation of the investment measured at fair value using the discounted cash flow technique together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

**As at 31 December 2023**

| | Valuation technique | Significant unobservable inputs | Discount rate | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss of RMB11,147,000 | Discounted cash flow | Expected cash flow and discount rate | 3.2% | 1% increase/(decrease) in discount rate would result in (decrease)/ increase in fair value by (RMB72,000)/RMB73,000 |

**As at 31 December 2022**

| | Valuation technique | Significant unobservable inputs | Discount rate | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss of RMB11,402,000 | Discounted cash flow | Expected cash flow and discount rate | 4.7% | 1% increase/(decrease) in discount rate would result in (decrease)/ increase in fair value by (RMB78,000)/RMB80,000 |

## 23. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Cash and bank balances | **123,577** | 177,889 |
| Time deposits | **93,590** | 91,653 |
| Restricted cash | **5** | 43,200 |
| Subtotal | **217,172** | 312,742 |
| Less: Pledged time deposits: | | |
| Pledged for short term bank loans *(note 26)* | **62,778** | 61,493 |
| Restricted cash | **5** | 43,200 |
| Cash and cash equivalents | **154,389** | 208,049 |
| Denominated in: | | |
| RMB | **153,966** | 186,771 |
| HK$ | **423** | 21,278 |
| Total | **154,389** | 208,049 |

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposit is made for the period within three months depending on the immediate cash requirement of the Group and earn interest at the respective short term time deposit rate. The bank balances are deposited with creditworthy banks with no recent history of default.

## 24. TRADE PAYABLES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Trade payables | **300,794** | 215,307 |

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Within 3 months | **97,013** | 77,551 |
| 3 to 6 months | **61,063** | 27,168 |
| 6 to 12 months | **99,021** | 2,400 |
| 1 to 2 years | **33,871** | 84,549 |
| 2 to 3 years | **7,955** | 22,194 |
| Over 3 years | **1,871** | 1,445 |
| Total | **300,794** | 215,307 |

Included in the trade payables were trade payables of RMB225,249,000 (2022: RMB34,972,000) due to the Group's related parties which were repayable within 120 days, which represented credit terms similar to those offered by the related parties to their major customers.

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

## 25. OTHER PAYABLES AND ACCRUALS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Contract liabilities *(note (a))* | **215,527** | 137,039 |
| Other payables *(note (b))* | **4,580** | 14,327 |
| Other tax payables | **2,191** | 6,264 |
| Payroll and welfare payable | **2,123** | 547 |
| Total | **224,421** | 158,177 |

*Notes:*

(a) Details of contract liabilities are as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| *Short-term advances received from customers* | | |
| Licensing of the broadcasting rights of drama series | **188,988** | 76,868 |
| Made-to-order drama series production | **25,756** | 60,014 |
| Others | **783** | 157 |
| Total | **215,527** | 137,039 |

Contract liabilities include short-term advances received from the licensing of the broadcasting rights of drama series, made-to-order drama series production and others. The increase in contract liabilities in 2023 was mainly due to the increase in short-term advances received from customers in relation to the licensing of the broadcasting rights of drama series.

Included in the contract liabilities are advances received from the Group's related parties of RMB189,463,000 (2022: RMB48,251,000).

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

## 26. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | Effective interest rate (%) | Maturity | 2023 RMB'000 |
|---|---|---|---|
| **Current** | | | |
| Bank loan – secured *(note (a))* | 3.80 | 2024 | 160,562 |
| Bank loan – secured *(note (a))* | 5.20 | 2024 | 50,000 |
| Bank loan – secured *(note (b))* | 3.65 | 2024 | 10,006 |
| Bank loan – secured *(note (b))* | 3.55 | 2024 | 8,042 |
| Bank loan – unsecured | 3.80 | 2024 | 10,012 |
| Bank loan – unsecured | 3.50 | 2024 | 10,012 |
| Bank loan – unsecured | 3.55 | 2024 | 10,006 |
| Bank loan – unsecured | 3.90 | 2024 | 10,011 |
| Bank loan – unsecured | 3.65 | 2024 | 10,012 |
| Total – current | | | 278,663 |
| **Non-current** | | | |
| Bank loan – secured (note (b)) | 3.55 | 2025 | 28,000 |
| Total | | | 306,663 |

| | Effective interest rate (%) | Maturity | 2022 RMB'000 |
|---|---|---|---|
| **Current** | | | |
| Bank loan – secured *(note (c))* | 5.20 | 2023 | 150,768 |
| Bank loan – secured *(note (d))* | 5.22 | 2023 | 12,622 |
| Bank loan – secured *(note (e))* | 4.60 | 2023 | 40,056 |
| Discounted notes receivable – secured *(note (f))* | 5.00 | 2023 | 49,500 |
| Bank loan – unsecured | 4.40 | 2023 | 10,013 |
| Bank loan – unsecured | 4.85 | 2023 | 10,014 |
| Other borrowing – unsecured | 5.00 | 2023 | 3,000 |
| Total | | | 275,973 |

## 26. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONT'D)

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year | **278,663** | 272,973 |
| In the second year | **28,000** | – |
| Subtotal | **306,663** | 272,973 |
| Other borrowing repayable: | | |
| Within one year | **–** | 3,000 |
| Total | **306,663** | 275,973 |

*Notes:*

(a) The Group's bank loans are secured by the pledge of certain of the Group's trade receivables amounting to RMB5,200,000 and short-term deposits amounting to RMB62,778,000 and are guaranteed by the Company.

(b) The Group's bank loans are guaranteed by the subsidiaries.

(c) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB138,584,000 and short-term deposits amounting to RMB31,333,000 and was guaranteed by the Company.

(d) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB36,000,000 and was guaranteed by subsidiaries.

(e) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB36,800,000 and restricted cash amounting to RMB43,200,000.

(f) The Group's discounted notes receivable were secured by the pledge of short-term deposits amounting to RMB30,160,000.

(g) All borrowings are denominated in RMB.

## 27. DEFERRED TAX

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

### Deferred tax assets

| | Impairment of trade and other receivables RMB'000 | Lease liabilities RMB'000 | Impairment of inventories RMB'000 | Changes in fair value on financial assets at fair value through profit or loss RMB'000 | Losses available for offsetting against future taxable income RMB'000 | Accrued expenses RMB'000 | Unrealised profit from inter-company transactions RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2022 | 4,321 | 1,681 | – | – | – | 1,137 | 226 | 7,365 |
| Deferred tax credited/(charged) to profit or loss during the year *(note 10)* | 2,035 | (416) | – | – | – | (1,137) | 339 | 821 |
| Gross deferred tax assets at 31 December 2022 and 1 January 2023 | 6,356 | 1,265 | – | – | – | – | 565 | 8,186 |
| Deferred tax credited/(charged) to profit or loss during the year *(note 10)* | 4,468 | 469 | 3,766 | 64 | 5,660 | – | (405) | 14,022 |
| Gross deferred tax assets at 31 December 2023 | 10,824 | 1,734 | 3,766 | 64 | 5,660 | – | 160 | 22,208 |

## 27. DEFERRED TAX (CONT'D)

The movements in deferred tax assets and liabilities during the year are as follows: (cont'd)

### Deferred tax liabilities

| | Fair value adjustments arising from acquisition of subsidiaries RMB'000 | Right-of-use assets RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2022 | 6,336 | 1,826 | 8,162 |
| Deferred tax credited to profit or loss during the year *(note 10)* | (3,625) | (357) | (3,982) |
| Gross deferred tax liabilities at 31 December 2022 and 1 January 2023 | 2,711 | 1,469 | 4,180 |
| Deferred tax (credited)/charged to profit or loss during the year *(note 10)* | (208) | 489 | 281 |
| Gross deferred tax liabilities at 31 December 2023 | 2,503 | 1,958 | 4,461 |

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

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Net deferred tax assets recognised in the consolidated statement of financial position | **20,474** | 6,943 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | **(2,727)** | (2,937) |
| Net deferred tax assets | **17,747** | 4,006 |

## 27. DEFERRED TAX (CONT'D)

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

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Deductible temporary differences | **7,525** | 27,212 |
| Tax losses | **52,355** | 38,445 |
| | **59,880** | 65,657 |

The above tax losses arising in Chinese Mainland will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB349,833,000 (2022: RMB456,300,000).

## 28. SHARE CAPITAL

| | 2023<br>US$'000 | 2022<br>US$'000 |
|---|---|---|
| Authorised:<br>2,000,000,000 (2022: 2,000,000,000) ordinary shares of<br>US$0.000025 each | **50** | 50 |
| Issued and fully paid:<br>700,394,200 (2022: 696,629,400) ordinary shares of US$0.000025 each | **18** | 17 |

## 28. SHARE CAPITAL (CONT'D)

The movements in the Company's share capital during the year are as follows:

| | Number of shares in issue | Share capital RMB'000 | Shares premium RMB'000 | Treasury shares RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2022 | 694,747,000 | 112 | 1,375,145 | (17,053) | 1,358,204 |
| Share options exercised *(note (a))* | 1,882,400 | 1 | 3,858 | – | 3,859 |
| Repurchase of shares *(note (b))* | – | – | – | (28,128) | (28,128) |
| Restricted share units vested *(note (c))* | – | – | 4,388 | 2,530 | 6,918 |
| At 31 December 2022 and 1 January 2023 | 696,629,400 | 113 | 1,383,391 | (42,651) | 1,340,853 |
| Share options exercised *(note (a))* | 3,764,800 | 1 | 7,715 | – | 7,716 |
| Repurchase of shares *(note (b))* | – | – | – | (289) | (289) |
| Restricted share units vested *(note (c))* | – | – | 3,975 | 5,565 | 9,540 |
| At 31 December 2023 | 700,394,200 | 114 | 1,395,081 | (37,375) | 1,357,820 |

*Notes:*

(a) On 12 May 2023, 3,764,800 share options were exercised at the subscription price of US$0.000025 per share (note 30), resulting in the issue of 3,764,800 shares for a total cash consideration, before expenses, of US$94.12 (equivalent to RMB1,000). An amount of RMB7,715,000 was transferred from the share award and option reserve to share premium upon the exercise of the share options.

On 12 May 2022, 1,882,400 share options were exercised at the subscription price of US$0.000025 per share (note 30), resulting in the issue of 1,882,400 shares for a total cash consideration, before expenses, of US$47.06 (equivalent to RMB1,000). An amount of RMB3,858,000 was transferred from the share award and option reserve to share premium upon the exercise of the share options.

(b) On 28 April 2023, 310,000 shares were repurchased for the trustee under the 2021 RSU Scheme and the 2022 RSU Scheme to hold on trust for the grantees of the restricted share units at a total cash consideration of RMB289,000.

During the period from 20 April 2022 to 19 May 2022, 10,000,000 shares were repurchased for the trustee under the 2021 RSU Scheme and the 2022 RSU Scheme to hold on trust for the grantees of the restricted share units at a total cash consideration of RMB28,128,000.

(c) On 1 January 2023, 1 May 2023 and 11 November 2023, 1,450,000, 563,000 and 1,364,200 restricted share units were vested, respectively. An amount of RMB9,540,000 was transferred from the share award and option reserve to share premium and treasury shares of RMB3,975,000 and RMB5,565,000, respectively, upon the vesting of restricted share units.

On 20 May 2022 and 11 November 2022, 668,200 and 508,000 restricted share units were vested, respectively. An amount of RMB6,918,000 was transferred from the share award and option reserve to share premium and treasury shares of RMB4,388,000 and RMB2,530,000, respectively, upon the vesting of restricted share units.

## 29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 157 of the financial statements.

### Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group, details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

### Statutory surplus reserve

In accordance with the Company Law of the PRC, subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their statutory surplus reserve until the reserve reaches 50% of their registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

### Share award and option reserve

Share award or option reserve of the Group represents share-based compensation reserve due to equity-settled share award or option.

## 30. SHARE AWARD AND SHARE OPTION SCHEMES

### (a) Pre-IPO Share Option Scheme

On 11 May 2020, the Company adopted the Pre-IPO Share Option Scheme. Following the adoption of the Pre-IPO Share Option Scheme, 37,648,000 Pre-IPO Share Options, representing approximately 8% equity interests in the Company, were granted to Mr. Liu Xiaofeng, an executive director and the chief executive officer of the Company, to recognise his significant contribution to the Group. The Pre-IPO Share Options required no performance target except that Mr. Liu Xiaofeng remains as an employee of the Group during the vesting period.

The exercise price of the Pre-IPO Share Options is no less than its par value, which will be determined by the board of directors. 5% of the Pre-IPO Share Options are exercisable after 24 months from the date of the option scheme agreement; 10% of the Pre-IPO Share Options are exercisable after 36 months from the date of the share option scheme agreement; 15% of the Pre-IPO Share Options are exercisable after 48 months from the date of the option scheme agreement; 30% of the Pre-IPO Share Options are exercisable after 60 months from the date of the option scheme agreement and 40% of the Pre-IPO Share Options are exercisable after 72 months from the date of the option scheme agreement.

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

| | Weighted average exercise price US$ per share | Number of options |
|---|---|---|
| At January 2022 | 0.000025 | 37,648,000 |
| Exercised during the year | 0.000025 | (1,882,400) |
| At 31 December 2022 and 1 January 2023 | 0.000025 | 35,765,600 |
| Exercised during the year | 0.000025 | (3,764,800) |
| At 31 December 2023 | 0.000025 | 32,000,800 |

The weighted average share price at the date of exercise for share options exercised during the year was US$0.000025 per share (2022: US$0.000025 per share).

The fair value of the Pre-IPO Share Options granted in 2020 was approximately RMB77,152,000, of which the Group recognised a share option expense of RMB13,630,000 during the year (2022: RMB15,961,000).

The fair value of equity-settled share options granted in 2020 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted.

No other feature of the options granted was incorporated into the measurement of fair value.

## 30. SHARE AWARD AND SHARE OPTION SCHEMES (CONT'D)

### (a) Pre-IPO Share Option Scheme (cont'd)

The 3,764,800 share options exercised during the year resulted in the issue of 3,764,800 ordinary shares of the Company (2022: 1,882,400 share options) and new share capital of US$94.12 (equivalent to RMB1,000) (2022: US$47.06 (equivalent to RMB1,000)) (before issue expenses), as further detailed in note 28 to the financial statements.

At the end of the reporting period, the Company had 32,000,800 share options outstanding under the Scheme (2022:35,765,600 share options).

### (b) 2021 Restricted Share Unit ("RSU") Scheme

On 15 September 2021, the Company has adopted the 2021 RSU Scheme to reward employees of the Group, senior management of subsidiaries of the Company, and business partners (including top artists such as directors, screenwriters, etc.) for their contributions to the growth and development of the Group and to give incentives thereto in order to retain them for the continual development and long-term strategic goals of the Group.

To facilitate the implementation and administration of the RSUs, the Company entered into the Trust Deed and appointed Futu Trustee Limited as the Trustee for the administration of the 2021 RSU Scheme pursuant to the Rules. The 2021 RSU Scheme shall be subject to the administration of the board of directors and the Trustee in accordance with the terms of the 2021 RSU Scheme and, where applicable, the Trust Deed.

The 2021 RSU Scheme shall be valid and effective for a term of ten years commencing from the date on which the board of directors adopted the 2021 RSU Scheme.

On 20 December 2023, the board of directors resolved to amend the vesting conditions of certain RSUs granted to employees and business partners under the 2021 RSU Scheme. The revised vesting schedule of the RSUs granted to the grantees under the 2021 RSU Scheme shall be as follows:

On 4 November 2021, 3,680,000 RSUs granted to the employees of the Group shall vest in accordance with the below vesting schedule, subject to satisfaction of the vesting condition that the relevant grantees remain eligible participants on the respective vesting dates:

(i) in relation to 1,600,000 RSUs granted, the RSUs shall vest on 11 November 2021; and

(ii) in relation to 2,080,000 RSUs granted, 20% of the RSUs shall vest on 11 November 2021, 20% of the RSUs shall vest on 11 November 2022, 30% of the RSUs shall vest on 11 November 2023, and 30% of the RSUs shall vest on 11 November 2024.

## 30. SHARE AWARD AND SHARE OPTION SCHEMES (CONT'D)

### (b) 2021 RSU Scheme (cont'd)

On 4 November 2021, 13,100,000 RSUs granted to suppliers and employees of joint ventures shall vest in accordance with the below vesting schedule:

(i) in relation to 4,800,000 RSUs granted to suppliers, one-third of the RSUs shall vest on 1 January 2023, 1 January 2024 and 1 January 2025, subject to satisfaction of the vesting condition that certain drama series, for which the relevant grantees engaged by the Group to act as the screenwriter, producer or director shall be broadcast or start shooting by certain dates;

(ii) in relation to 4,500,000 RSUs granted to suppliers, one-third of the RSUs shall vest on 1 January 2024, 1 January 2025 and 1 January 2026, subject to satisfaction of the vesting condition that certain drama series, for which the relevant grantees engaged by the Group to act as the screenwriter, producer or director shall be broadcast or start shooting by certain dates;

(iii) in relation to 800,000 RSUs granted to employees of a joint venture, 25% of the RSUs shall vest on 25 January 2023, 25 January 2024, 25 January 2025 and 25 January 2026, subject to satisfaction of the vesting condition that the profit of the company, for which the relevant grantees were engaged as agents, remains at certain level; and

(iv) in relation to 3,000,000 RSUs granted to an employee of a joint venture, 50% of the RSUs shall vest on 1 January 2025, 25% of the RSUs shall vest on 1 January 2026 and 1 January 2027, subject to the satisfaction of the vesting condition that the relevant Grantee procures top actors to participate in the production of drama series of the Company.

On 19 April 2022, 3,859,000 RSUs granted to suppliers shall vest in accordance with the below vesting schedule, subject to satisfaction of the vesting condition that certain drama series, for which the grantees engaged by the Group to act as the screenwriter, producer or director shall be broadcast or start shooting by certain dates:

(i) in relation to 759,000 RSUs granted, one-third of the RSUs shall vest on 1 May 2023, 1 May 2024 and 1 May 2025;

(ii) in relation to 2,380,000 RSUs granted, one-third of the RSUs shall vest on 1 May 2024, 1 May 2025 and 1 May 2026; and

(iii) in relation to 720,000 RSUs granted, one-third of the RSUs shall vest on 1 May 2025, 1 May 2026 and 1 May 2027.

## 30. SHARE AWARD AND SHARE OPTION SCHEMES (CONT'D)

### (b) 2021 RSU Scheme (cont'd)

On 20 December 2023, the Company granted an aggregate of 464,000 RSUs to a supplier at nil consideration pursuant to the 2021 RSU Scheme, all of which were accepted by the grantee. The grant of an aggregate of 464,000 RSUs to the grantee shall be satisfied by the existing shares to be acquired by the Trustee on the market. The Company will provide sufficient funds through its internal resources to the Trustee to enable the Trustee to satisfy its obligations in connection with the vesting of RSUs granted to the grantee. There are performance targets required.

The following awarded shares were outstanding under the 2021 RSU Scheme during the year:

| | Number of shares held for the 2021 RSU Scheme | Number of awarded shares |
|---|---|---|
| Outstanding at 1 January 2022 | – | 14,764,000 |
| Repurchase of shares | 3,859,000 | – |
| Granted during the year | (3,859,000) | 3,859,000 |
| Forfeited | 192,000 | (192,000) |
| Vested during the year | – | (368,000) |
| Outstanding at 31 December 2022, and 1 January 2023 | 192,000 | 18,063,000 |
| Repurchase of shares | – | – |
| Granted during the year | (464,000) | 464,000 |
| Forfeited | 572,000 | (572,000) |
| Vested during the year | – | (2,219,000) |
| Outstanding at 31 December 2023 | 300,000 | 15,736,000 |

The fair value of RSUs granted to suppliers, employees of the Group and employees of joint ventures under the 2021 RSU Scheme was estimated as at the date of receipt or grant by management based on the closing price of the Group's stock on the valuation base date, taking into account the effect of liquidity discounts during lock-up periods. The following table lists the inputs used:

| | As at 31 December 2023 | As at 31 December 2022 |
|---|---|---|
| Liquidity discount | **13%** | 18% |

## 30. SHARE AWARD AND SHARE OPTION SCHEMES (CONT'D)

### (b) 2021 RSU Scheme (cont'd)

The fair value of the RSUs granted to suppliers during the year was RMB2,291,000 (RMB0.4152 to RMB1.7401 each) (2022: RMB6,554,000 (RMB1.3738 to RMB4.7094 each)).

During the year, the Group recorded a share-based compensation of RMB2,845,000 (2022: RMB8,031,000), of which RMB796,000 (2022: RMB1,340,000) was recognised in profit or loss, RMB2,291,000 (2022: RMB6,554,000) was recognised in inventories and RMB242,000 (2022: share of loss of RMB137,000) was recognised in share of profit of a joint venture. No other feature of the RSUs granted was incorporated into the measurement of fair value.

### (c) 2022 RSU Scheme

On 28 April 2022, the Company has adopted a 2022 RSU Scheme to reward employees of the Group, senior management of subsidiaries of the Company, and business partners (including top artists such as directors, screenwriters, producers and etc.) of the Group for their contributions to the growth and development of the Group and to give incentives thereto in order to retain them for the continual development and long-term strategic goals of the Group. The 2022 RSU Scheme will be maintained in parallel with the Pre-IPO Share Option Scheme, the 2021 RSU Scheme and such other share incentive schemes which may be adopted by the Company from time to time.

To facilitate the implementation and administration of the RSUs, the Company entered into the Trust Deed and appointed Futu Trustee Limited as the Trustee for the administration of the 2022 RSU Scheme pursuant to the Rules. The 2022 RSU Scheme shall be subject to the administration of the board of directors and the Trustee in accordance with the terms of the 2022 RSU Scheme and, where applicable, the Trust Deed.

The 2022 RSU Scheme shall be valid and effective for a term of ten years commencing from the date on which the board of directors adopted the 2022 RSU Scheme.

On 14 November 2022, the Company granted an aggregate of 310,000 RSUs, representing 310,000 underlying shares, to a supplier of the Group, at nil consideration pursuant to the 2022 RSU Scheme, all of which were accepted by the grantee. The grant of an aggregate of 310,000 RSUs to the grantees shall be satisfied by the existing shares to be acquired by the Trustee on the market. The Company will provide sufficient funds through its internal resources to the Trustee to enable the Trustee to satisfy its obligations in connection with the vesting of RSUs granted to the grantees. There are performance targets required.

The 310,000 RSUs granted to such supplier shall vest on 1 May 2023, subject to satisfaction of the vesting condition that certain drama series, for which the grantee engaged by the Group to act as the screenwriter, shall be broadcast before 1 May 2023.

On 28 April 2022, 6,141,000 RSUs granted to the employees of the Group shall vest in accordance with the below vesting schedule, subject to satisfaction of the vesting condition that the relevant grantees remain eligible participants on the respective vesting dates:

(i) in relation to the 2,800,000 RSUs granted, 5% of the RSUs shall vest on 11 November 2022, 10% of the RSUs shall vest on 11 November 2023, 15% of the RSUs shall vest on 11 November 2024, 20% of the RSUs shall vest on 11 November 2025, 25% of the RSUs shall vest on 11 November 2026, and 25% of the RSUs shall vest on 11 November 2027; and

(ii) in relation to the 3,341,000 RSUs granted, 20% of the RSUs shall vest on 20 May 2022, 20% of the RSUs shall vest on 11 November 2023, 30% of the RSUs shall vest on 11 November 2024, and 30% of the RSUs shall vest on 11 November 2025.

## 30. SHARE AWARD AND SHARE OPTION SCHEMES (CONT'D)

### (c) 2022 RSU Scheme (cont'd)

The following awarded shares were outstanding under the 2022 RSU Scheme during the year:

| | Number of shares held for the 2022 RSU Scheme | Number of awarded shares |
|---|---|---|
| Outstanding at 1 January 2022 | – | – |
| Repurchase of shares | 6,141,000 | – |
| Granted during the year | (6,451,000) | 6,451,000 |
| Vested during the year | – | (808,200) |
| Outstanding at 31 December 2022, and 1 January 2023 | (310,000) | 5,642,800 |
| Repurchase of shares | 310,000 | – |
| Granted during the year | – | – |
| Forfeited | 400,000 | (400,000) |
| Vested during the year | – | (1,158,200) |
| Outstanding at 31 December 2023 | 400,000 | 4,084,600 |

The fair value of RSUs granted to employees of the Group and a supplier in 2022 under the 2022 RSU Scheme estimated by management is based on the closing price of the Group's stock on the valuation base date.

During the year, the Group recorded a share-based compensation of RMB4,994,000 (2022: RMB6,502,000), of which RMB4,994,000 (2022: RMB6,254,000) was recognised in profit or loss and nil (2022: RMB248,000) was recognised in inventories.

No other feature of the RSUs granted was incorporated into the measurement of fair value.

There are no cash settlement alternatives for the Pre-IPO Share Option Scheme, 2021 RSU Scheme and 2022 RSU Scheme. The Group does not have a past practice of cash settlement for these schemes. The Group accounts for these schemes as equity-settled plan.

## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB5,682,000 (2022: RMB1,834,000) in respect of lease arrangements for office premises.

During the year, the Group had offset accounts payable and loans receivable of RMB13,736,000 (2022: Nil).

During the year, loans receivable of RMB46,358,000 (2022: Nil) were transferred to prepayments which represent the Group's investment in drama series production of which the Group is not entitled to copyrights.

During the year, prepayments of RMB3,000,000 (2022: Nil) were transferred to loans receivable due to the development period of the drama was extended, so according to the agreement of the contract, interest is calculated according to the actual period of the occupied funds.

### (b) Changes in liabilities arising from financing activities

| | Interest-bearing bank and other borrowings RMB'000 | Interest payable RMB'000 | Lease liabilities RMB'000 |
|---|---|---|---|
| At 1 January 2022 | 278,341 | 484 | 7,191 |
| Additions | – | – | 1,834 |
| Changes from financing cash flows | (2,100) | – | (3,726) |
| Interest accrued | 12,052 | – | 337 |
| Interest paid | (12,320) | (484) | (337) |
| At 31 December 2022 and 1 January 2023 | 275,973 | – | 5,299 |
| Additions | – | – | 5,682 |
| Changes from financing cash flows | 30,900 | – | (4,046) |
| Interest accrued | 12,205 | – | 229 |
| Interest paid | (12,415) | – | (229) |
| At 31 December 2023 | 306,663 | – | 6,935 |

## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

### (c) Total cash outflow for leases

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

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Within operating activities | **615** | 122 |
| Within financing activities | **4,046** | 3,726 |
| Total | **4,661** | 3,848 |

## 32. CONTINGENT LIABILITIES

On 25 December 2023, Jiangsu Strawbear received a notice of response from the Beijing Internet Court. The Company, together with four other entities, were sued by Lugang Internet Film and Television (Beijing) Co., Ltd. for infringement damages of RMB88,415,094. As at the date of this announcement, the case was accepted in the Beijing Internet Court for trial. However, the trial date for the case has not been determined yet. Based on the legal advice provided by the PRC legal counsel and available evidences, the directors do not believe it is probable that the court will decide against the Company. Even if in the extreme case Jiangsu Strawbear is to lose the lawsuit, the directors are unable to determine the amount of compensation Jiangsu Strawbear would be required to pay based on the information currently available, and therefore the directors cannot assess the potential impact on the Group. Consequently, no provision was made in respect of this proceeding as at 31 December 2023.

## 33. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Drama series | **508,149** | 371,810 |

## 34. RELATED PARTY TRANSACTIONS

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

| Name | Relationship with the Company |
|---|---|
| Mr. Liu Xiaofeng | Director, the ultimate controlling shareholder |
| Zhejiang Dongyang Chestnutbear Film and Television Culture Co., Ltd. ("**Dongyang Chestnutbear**") | An associate of the Group |
| Wuxi Wuyi Culture Media Co., Ltd. ("**Wuxi Wuyi**") | An associate of the Group |
| Shanghai Paihaoxi Film Co., Ltd. ("**Shanghai Paihaoxi**") | An associate of the Group |
| Xiangshan Xingyu Yinyue Culture Media Co., Ltd. ("**Xingyu Yinyue**") | A joint venture of the Group |
| Beijing Honeybear Entertainment Cultural Media Co., Ltd. ("**Beijing Honeybear**") | A joint venture of the Group |
| Beijing iQIYI Technology Co., Ltd. ("**Beijing iQIYI**") | An entity controlled by a shareholder |
| Hainan iQIYI Information Technology Co., Ltd. ("**Hainan iQIYI**") | An entity controlled by a shareholder |
| Beijing QIYI Century Technology Co., Ltd. ("**Qiyi Century**") | An entity controlled by a shareholder |
| Shanghai Shaoyin Music Entertainment Co., Ltd. ("**Shanghai Shaoyin**") | An entity controlled by shareholders |

## 34. RELATED PARTY TRANSACTIONS (CONT'D)

### (a) The Group had the following transactions with related parties during the year:

| | *Notes* | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|---|
| Sales of goods to: | | | |
| Beijing iQIYI | *(i)* | **184,811** | 700,221 |
| Qiyi Century | *(i)* | **139,623** | – |
| Xingyu Yinyue | *(i)* | **200** | – |
| Hainan iQIYI | *(i)* | **–** | 45,283 |
| Purchases of goods from: | | | |
| Beijing iQIYI | *(ii)* | **259,987** | 19,698 |
| Wuxi Wuyi | *(ii)* | **15,474** | – |
| Dongyang Chestnutbear | *(ii)* | **3,766** | 50,226 |
| Beijing Honeybear | *(ii)* | **2,988** | – |
| Xingyu Yinyue | *(ii)* | **–** | 33,019 |
| Shanghai Shaoyin | *(ii)* | **–** | 566 |
| Interest income from: | | | |
| Xingyu Yinyue | *(iii)* | **–** | 1,438 |

*Notes:*

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

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

(iii) The Group provided a loan to Xingyu Yinyue to support its operation in 2021. The loan is unsecured, bears interest at 5% per annum and repayable within one year. Further details are stated in item (b)(v) below.

## 34. RELATED PARTY TRANSACTIONS (CONT'D)

### (b) Outstanding balances with related parties:

*(i) Trade and notes receivables*

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Qiyi Century | **128,000** | – |
| Beijing iQIYI | **39,351** | 279,671 |
| Hainan iQIYI | **40,858** | 40,858 |
| | **208,209** | 320,529 |

*(ii) Prepayments*

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Shanghai Paihaoxi | **3,070** | – |
| Wuxi Wuyi | **634** | – |
| Dongyang Chestnutbear | **456** | – |
| | **4,160** | – |

*(iii) Trade payables*

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Beijing iQIYI | **225,249** | 31,542 |
| Dongyang Chestnutbear | **–** | 2,830 |
| Shanghai Shaoyin | **–** | 600 |
| | **225,249** | 34,972 |

*(iv) Other payables and accruals*

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Beijing iQIYI | **113,991** | 3,081 |
| Qiyi Century | **75,472** | – |
| Hainan iQIYI | **–** | 45,170 |
| | **189,463** | 48,251 |

## 34. RELATED PARTY TRANSACTIONS (CONT'D)

### (b) Outstanding balances with related parties: (cont'd)

*(v) Due from a joint venture*

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Xingyu Yinyue | **31,028** | 31,028 |
| Impairment | **(31,028)** | (31,028) |
| | **–** | – |

Considering the financial position and business situation of Xingyu Yinyue with its unclear future profitability, the loan to Xingyu Yinyue is unlikely to be repaid in the foreseeable future. Accordingly, the Group recognised a provision for the outstanding loan due from Xingyu Yinyue of RMB31,028,000 in 2022.

*(vi) Due from a director*

Details of the Group's balance with a director are included in note 21(c) to the transaction statements.

Except for the amount due from a joint venture and the balances detailed elsewhere in notes 20, 21, 24 and 25, the balances with related parties are unsecured, interest-free and repayable on demand.

Except for the amounts stated in (b)(v) and (b)(vi) above, the balances with related parties are trade in nature.

The related party transactions in respect of sales of goods to Beijing iQIYI, Qiyi Century and Hainan iQIYI and purchases of goods from Beijing iQIYI also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **3,479** | 3,327 |
| Equity-settled share option expenses | **13,630** | 15,961 |
| Pension scheme contributions | **147** | 156 |
| Total compensation paid to key management personnel | **17,256** | 19,444 |

Further details of directors' emoluments are included in note 8 to the financial statements.

## 35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

*Financial assets*

| | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income | | |
|---|---|---|---|---|
| | Designated as such upon initial recognition RMB'000 | Debt investments RMB'000 | Financial assets at amortised cost RMB'000 | Total RMB'000 |
| Financial asset at fair value through profit or loss | 11,147 | – | – | 11,147 |
| Notes receivable | – | 40,700 | – | 40,700 |
| Trade receivables | – | – | 513,473 | 513,473 |
| Financial assets included in prepayments, other receivables and other assets | – | – | 56,069 | 56,069 |
| Restricted cash | – | – | 5 | 5 |
| Pledged deposits | – | – | 62,778 | 62,778 |
| Cash and cash equivalents | – | – | 154,389 | 154,389 |
| Total | 11,147 | 40,700 | 786,714 | 838,561 |

*Financial liabilities*

| | Financial liabilities at amortised cost RMB'000 | Total RMB'000 |
|---|---|---|
| Trade payables | 300,794 | 300,794 |
| Lease liabilities | 6,935 | 6,935 |
| Interest-bearing bank and other borrowings | 306,663 | 306,663 |
| Financial liabilities included in other payables and accruals | 4,580 | 4,580 |
| Total | 618,972 | 618,972 |

## 35. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (cont'd)

### 2022

*Financial assets*

| | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income | | |
|---|---|---|---|---|
| | Designated as such upon initial recognition RMB'000 | Debt investments RMB'000 | Financial assets at amortised cost RMB'000 | Total RMB'000 |
| Financial asset at fair value through profit or loss | 11,402 | – | – | 11,402 |
| Notes receivable | – | 21,888 | 91,950 | 113,838 |
| Trade receivables | – | – | 431,517 | 431,517 |
| Financial assets included in prepayments, other receivables and other assets | – | – | 115,181 | 115,181 |
| Restricted cash | – | – | 43,200 | 43,200 |
| Pledged deposits | – | – | 61,493 | 61,493 |
| Cash and cash equivalents | – | – | 208,049 | 208,049 |
| Total | 11,402 | 21,888 | 951,390 | 984,680 |

*Financial liabilities*

| | Financial liabilities at amortised cost RMB'000 | Total RMB'000 |
|---|---|---|
| Trade payables | 215,307 | 215,307 |
| Lease liabilities | 5,299 | 5,299 |
| Interest-bearing bank and other borrowings | 275,973 | 275,973 |
| Financial liabilities included in other payables and accruals | 14,327 | 14,327 |
| Total | 510,906 | 510,906 |

## 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings and lease liabilities and amounts due from a joint venture and a director approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of the non-current portion of interest-bearing bank and other borrowings lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at 31 December 2023 were assessed to be insignificant.

The fair values of the financial assets at fair value through profit or loss have been estimated using discounted cash flow valuation technique.

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

## 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONT'D)

### Fair value hierarchy

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

*Assets measured at fair value:*

**As at 31 December 2023**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Notes receivable | – | 40,700 | – | 40,700 |
| Financial assets at fair value through profit or loss | – | – | 11,147 | 11,147 |
| Total | – | 40,700 | 11,147 | 51,847 |

**As at 31 December 2022**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Notes receivable | – | 21,888 | – | 21,888 |
| Financial assets at fair value through profit or loss | – | – | 11,402 | 11,402 |
| Total | – | 21,888 | 11,402 | 33,290 |

## 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONT'D)

### Fair value hierarchy (cont'd)

The movements in fair value measurements within Level 3 during the reporting period are as follows:

| | **2023 RMB'000** |
|---|---|
| Financial assets at fair value through profit or loss | |
| At 1 January | **11,402** |
| Additions | **–** |
| Change in fair value of financial assets at fair value through profit or loss | **(255)** |
| At 31 December | **11,147** |

| | 2022 RMB'000 |
|---|---|
| Financial assets at fair value through profit or loss | |
| At 1 January | – |
| Additions | 11,214 |
| Change in fair value of financial assets at fair value through profit or loss | 188 |
| At 31 December | 11,402 |

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 31 December 2022.

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

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (arising from foreign currency dominated financial instruments) and the Group's equity.

| | Increase/ (decrease) in rate of foreign currency % | Increase/ (decrease) in profit before tax RMB'000 | Increase/ (decrease) in equity RMB'000 |
|---|---|---|---|
| **2023** | | | |
| If the RMB weakens against the HK$ | **5** | **8** | **8** |
| If the RMB strengthens against the HK$ | **(5)** | **(8)** | **(8)** |
| **2022** | | | |
| If the RMB weakens against the HK$ | 5 | (1,051) | (1,051) |
| If the RMB strengthens against the HK$ | (5) | 1,051 | 1,051 |

### Credit risk

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

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Credit risk (cont'd)

*Maximum exposure and year-end staging*

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

**As at 31 December 2023**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Simplified approach RMB'000 | Total RMB'000 |
| Trade receivables* | – | – | – | 554,578 | 554,578 |
| Notes receivable** | 40,700 | – | – | – | 40,700 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 8,537 | 50,881 | 4,479 | – | 63,897 |
| Due from a joint venture | | | | | |
| – Doubtful** | – | – | 31,028 | – | 31,028 |
| Restricted cash | 5 | – | – | – | 5 |
| Pledged deposit | | | | | |
| – Not yet past due | 62,778 | – | – | – | 62,778 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 154,389 | – | – | – | 154,389 |
| Total | 266,409 | 50,881 | 35,507 | 554,578 | 907,375 |

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Credit risk (cont'd)

*Maximum exposure and year-end staging (cont'd)*

**As at 31 December 2022**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Simplified approach RMB'000 | Total RMB'000 |
| Trade receivables* | – | – | – | 449,956 | 449,956 |
| Notes receivable** | 113,838 | – | – | – | 113,838 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 42,089 | 76,809 | 3,267 | – | 122,165 |
| Due from a joint venture | | | | | |
| – Doubtful** | – | – | 31,028 | – | 31,028 |
| Restricted cash | 43,200 | – | – | – | 43,200 |
| Pledged deposit | | | | | |
| – Not yet past due | 61,493 | – | – | – | 61,493 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 208,049 | – | – | – | 208,049 |
| Total | 468,669 | 76,809 | 34,295 | 449,956 | 1,029,729 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in note 20 and note 21 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. The Group had certain concentrations of credit risk.

At the end of the reporting period, the Group had certain concentrations of credit risk as 37.5% (2022: 59.6%) and 63.7% (2022: 65.3%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Liquidity risk

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

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

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

| | 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | On demand RMB'000 | Less than 3 months RMB'000 | 3 to less than 12 months RMB'000 | 1 to 3 years RMB'000 | Over 3 years RMB'000 | Total RMB'000 |
| Interest-bearing bank and other borrowings | – | 72,803 | 212,134 | 28,497 | – | 313,434 |
| Trade payables | 300,794 | – | – | – | – | 300,794 |
| Lease liabilities | – | 774 | 3,064 | 3,431 | – | 7,269 |
| Financial liabilities included in other payables and accruals | 4,580 | – | – | – | – | 4,580 |
| Total | 305,374 | 73,577 | 215,198 | 31,928 | – | 626,077 |

| | 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | On demand RMB'000 | Less than 3 months RMB'000 | 3 to less than 12 months RMB'000 | 1 to 3 years RMB'000 | Over 3 years RMB'000 | Total RMB'000 |
| Interest-bearing bank and other borrowings | – | 15,874 | 266,030 | – | – | 281,904 |
| Trade payables | 215,307 | – | – | – | – | 215,307 |
| Lease liabilities | – | 826 | 2,429 | 2,347 | – | 5,602 |
| Financial liabilities included in other payables and accruals | 14,327 | – | – | – | – | 14,327 |
| Total | 229,634 | 16,700 | 268,459 | 2,347 | – | 517,140 |

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

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

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Interest-bearing bank and other borrowings | **306,663** | 275,973 |
| Lease liabilities | **6,935** | 5,299 |
| Trade payables | **300,794** | 215,307 |
| Less: Cash and cash equivalents | **(154,389)** | (208,049) |
| Net debt | **460,003** | 288,530 |
| Equity attributable to owners of the parent | **1,738,506** | 1,826,632 |
| Debt to equity ratio | **26.5%** | 15.8% |

## 38. EVENTS AFTER THE REPORTING PERIOD

The Company and its subsidiaries have no significant subsequent events that need to be disclosed.

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Investment in a subsidiary | 126,816 | 105,105 |
| Total non-current assets | 126,816 | 105,105 |
| **CURRENT ASSETS** | | |
| Inventories | 400 | – |
| Prepayments | – | 400 |
| Due from subsidiaries | 1,234,733 | 1,217,331 |
| Cash and cash equivalents | 640 | 21,404 |
| Total current assets | 1,235,773 | 1,239,135 |
| **CURRENT LIABILITIES** | | |
| Other payables and accruals | 267 | 268 |
| Total current liabilities | 267 | 268 |
| **NET CURRENT ASSETS** | 1,235,506 | 1,238,867 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | 1,362,322 | 1,343,972 |
| Net assets | 1,362,322 | 1,343,972 |
| **EQUITY** | | |
| Share capital | 114 | 113 |
| Treasury shares | (37,375) | (42,651) |
| Reserves *(note)* | 1,399,583 | 1,386,510 |
| Total equity | 1,362,322 | 1,343,972 |

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

*Note:* A summary of the Company's reserves is as follows:

| | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Share award and option reserve RMB'000 | Treasury shares RMB'000 | Accumulated losses RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2022 | 112 | 1,375,145 | (1) | 74,853 | (17,053) | (88,543) | 1,344,513 |
| Total comprehensive loss for the year | – | – | – | – | – | (2,908) | (2,908) |
| Equity-settled share award and option arrangements | – | – | – | 30,494 | – | – | 30,494 |
| Share options exercised | 1 | 3,858 | – | (3,858) | – | – | 1 |
| Repurchase of shares | – | – | – | – | (28,128) | – | (28,128) |
| Restricted share units vested | – | 4,388 | – | (6,918) | 2,530 | – | – |
| At 31 December 2022 and 1 January 2023 | 113 | 1,383,391 | (1) | 94,571 | (42,651) | (91,451) | 1,343,972 |
| Total comprehensive loss for the year | – | – | – | – | – | (2,831) | (2,831) |
| Equity-settled share award and option arrangements | – | – | – | 21,469 | – | – | 21,469 |
| Share options exercised | 1 | 7,715 | – | (7,715) | – | – | 1 |
| Repurchase of shares | – | – | – | – | (289) | – | (289) |
| Restricted share units vested | – | 3,975 | – | (9,540) | 5,565 | – | – |
| At 31 December 2023 | 114 | 1,395,081 | (1) | 98,785 | (37,375) | (94,282) | 1,362,322 |

## 40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2024.

# FINANCIAL SUMMARY

## RESULTS

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2019<br>RMB'000 | 2020<br>RMB'000 | 2021<br>RMB'000 | 2022<br>RMB'000 | **2023**<br>**RMB'000** |
| Revenue | 765,097 | 952,362 | 1,703,064 | 980,923 | **840,663** |
| Gross profit | 107,640 | 259,821 | 516,185 | 219,753 | **63,257** |
| Profit/(Loss) before tax | 65,972 | 48,420 | 246,159 | 77,936 | **(117,486)** |
| Income tax (expense)/credit | (15,572) | (30,228) | (76,781) | (27,929) | **9,977** |
| Profit/(Loss) for the year | 50,400 | 18,192 | 169,378 | 50,007 | **(107,509)** |
| Attributable to Owners of the parent | 50,032 | 18,430 | 169,249 | 50,933 | **(109,307)** |
| Non-controlling interests | 368 | (238) | 129 | (926) | **1,798** |

## ASSETS AND LIABILITIES

| | As at December 31, | | | | |
|---|---|---|---|---|---|
| | 2019<br>RMB'000 | 2020<br>RMB'000 | 2021<br>RMB'000 | 2022<br>RMB'000 | **2023**<br>**RMB'000** |
| Total assets | 2,052,255 | 1,859,920 | 2,840,567 | 2,492,563 | **2,583,628** |
| Total liabilities | 1,857,804 | 1,635,283 | 1,067,335 | 666,957 | **844,310** |
| Total equity | 194,451 | 224,637 | 1,773,232 | 1,825,606 | **1,739,318** |
| Non-controlling interests | – | 930 | (100) | (1,026) | **812** |
| Equity attributable to owners of the parent | 194,451 | 223,707 | 1,773,332 | 1,826,632 | **1,738,506** |

# DEFINITIONS AND GLOSSARIES

In this annual report, the following expressions have the meanings set out below unless the context otherwise requires:

| | |
|---|---|
| "2021 RSU Scheme" | the restricted share unit scheme adopted by the Company on September 15, 2021, as amended from time to time |
| "2022 RSU Scheme" | the 2022 restricted share unit scheme adopted by the Company on April 28, 2022, as amended from time to time |
| "AGM" | the annual general meeting of the Company to be held on Wednesday, June 12, 2024 |
| "AIGC" | Artificial Intelligence Generated Content |
| "Articles of Association" | the amended and restated memorandum and articles of association of the Company adopted on June 9, 2022 with effect from June 9, 2022 (as amended, supplemented or otherwise modified from time to time) |
| "Audiovisual Works" | TV series, web series and films as specified in the Copyright Law of the PRC |
| "Audit Committee" | the audit committee of the Board |
| "Beijing Strawbear" | Beijing Strawbear Film Co., Ltd. (北京稻草熊影業有限公司), a limited liability company established in the PRC on September 2, 2019 and indirectly controlled by the Company through the Contractual Arrangements |
| "Beyond Vast" | BEYOND VAST LIMITED, a BVI business company incorporated under the laws of the BVI on August 12, 2020 and wholly owned by Family Trust Singapore, the trustee of the LSS Family Trust |
| "Board" or "Board of Directors" | the board of Directors of the Company |
| "broadcasting rights" | refers to (i) the right of broadcasting (廣播權), in terms of drama series broadcast via TV channels; and (ii) the right to network dissemination of information (信息網絡傳播權), in terms of drama series and films broadcast via online video platforms, for the purpose of this report |
| "CEIS" | China Entertainment Industry Summit |
| "CG Code" | the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules |
| "Chairman" | the Chairman of the Board |

| | |
|---|---|
| "China" or the "PRC" | the People's Republic of China, but for the purpose of this report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Taiwan Province, Hong Kong and the Macau Special Administrative Region of the People's Republic of China |
| "Committee" | a committee established and delegated with the power and authority by the Board to administer the RSU Schemes |
| "Company" or "the Company" | Strawbear Entertainment Group (稻草熊娱乐集团), an exempted company with limited liability incorporated under the laws of Cayman Islands on January 3, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange |
| "Consolidated Affiliated Entities" | the entities the Company controls through the Contractual Arrangements, namely Jiangsu Strawbear and its subsidiaries, further details of which are set out in "Contractual Arrangements" in the Prospectus |
| "Contractual Arrangements" | the series of contractual arrangements entered into by, among others, Nanjing Strawbear, Jiangsu Strawbear and its registered shareholders, details of which are described in "Contractual Arrangements" in the Prospectus |
| "Controlling Shareholder(s)" | has the meaning ascribed to it under the Listing Rules and, unless the context otherwise requires, refers to Mr. Liu, Master Sagittarius and Leading Glory |
| "D2C" | direct-to-consumer, a business model that manufacturers selling directly to their end-customers |
| "Deed of Non-competition" | a deed of non-competition undertakings dated December 18, 2020 entered into by the Group's Controlling Shareholders in favor of the Company (for itself and as trustee for each of the Group's subsidiaries), particulars of which are summarised in the section headed "Relationship with Our Controlling Shareholders" in the Prospectus |
| "Director(s)" | director(s) of the Company |
| "drama series" | refers to the content produced for broadcast via TV channels or the internet, which is usually released in episodes that follow a narrative, consisting of TV series and web series |
| "Eligible Participant(s)" | include the (i) employees of the Company; (ii) senior management of subsidiaries of the Company; and (iii) business partners of the Group (including top artists such as directors, screenwriters, etc.) who the Board or its delegate(s) considers, in their sole discretion, have contributed or will contribute to the Group, and who are not Excluded Persons |
| "Employee Trust Hong Kong" | Vistra Trust (Hong Kong) Limited, an Independent Third Party professional trust company established in Hong Kong |

| | |
|---|---|
| "Environmental, Social and Governance Committee" | the environmental, social and governance committee of the Board |
| "Excluded Person" | (i) at the time of the proposed grant of a RSU, any connected person or core connected person of the Company, or (ii) any Eligible Participant who is a resident in a place where the award of the RSUs and/or the vesting and transfer of the Shares underlying the vested RSUs pursuant to the terms of the RSU Schemes is not permitted under the laws and regulations of such place such that in the view of the Board or the Committee, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such Eligible Participant |
| "Family Trust Singapore" | Vistra Trust (Singapore) Pte. Limited, an Independent Third Party professional trust company established in Singapore |
| "first-run broadcast" or "first-run" | the first round broadcast of a drama series on the TV channel or online video platform |
| "Glesason Global" | GLESASON GLOBAL LIMITED, a BVI business company incorporated under the laws of the BVI on May 5, 2020 and owned as to 99% by Beyond Vast and 1% by Gold Pisces |
| "Gold Fish" | Gold Fish Management Holding Limited, a BVI business company incorporated under the laws of the BVI on January 30, 2018 and wholly owned by Ms. Zhai |
| "Gold Fish Trust" | the discretionary trust established by Ms. Zhai as the settlor and the protector, with Family Trust Singapore as the trustee, details of which are set out in the section headed "History, Reorganisation and Corporate Development" in the Prospectus |
| "Gold Pisces" | Gold Pisces Holding Limited, a BVI business company incorporated under the laws of the BVI on December 19, 2017 and wholly owned by Ms. Liu |
| "Golden Basin" | GOLDEN BASIN GLOBAL LIMITED, a BVI business company incorporated under the laws of the BVI on April 1, 2020 and owned as to 99% by Smart Century and 1% by Gold Fish |
| "Gorgeous Horizon" | GORGEOUS HORIZON LIMITED, a BVI business company incorporated under the laws of the BVI on August 28, 2020 and wholly owned by Success Tale |
| "Grant Date" | the date (which shall be a business day) on which the grant of a RSU is made to a Selected Participant, being the date of the Grant Letter |
| "Grant Letter" | the letter pursuant to which RSUs are granted to a Selected Participant |

| | |
|---|---|
| "Grantee(s)" | any Eligible Participant(s) who accepts or is deemed to have accepted a grant of RSUs in accordance with the terms of the RSU Schemes |
| "Group" or "the Group" | the Company, its subsidiaries and Consolidated Affiliated Entities at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be) |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "HKFRS" | Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Stock Exchange" or " Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Horgos Strawbear" | Horgos Strawbear Film Co., Ltd. (霍爾果斯稻草熊影業有限公司), a limited liability company established in the PRC on August 4, 2016 and indirectly controlled by the Company through the Contractual Arrangements |
| "Independent Third Party(ies)" | an individual or a company which, to the best of the Director's knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules |
| "IP(s)" | intellectual properties such as existing films, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new drama series or films |
| "IP reserve(s)" | a reserve of IPs for future production of drama series or films |
| "iQIYI" | iQIYI, Inc. (Stock Code: IQ. NASDAQ) and its subsidiaries and consolidated affiliated entities, one of the largest Chinese online video platforms listed in the U.S. with approximately 476.0 million average MAUs in 2019 |
| "Jiangsu Strawbear" | Jiangsu Strawbear Film Co., Ltd. (江蘇稻草熊影業有限公司), a limited liability company established in the PRC on June 13, 2014 and indirectly controlled by the Company through the Contractual Arrangements |

| | |
|---|---|
| "Leading Glory" | LEADING GLORY INVESTMENTS LIMITED, a BVI business company incorporated under the laws of the BVI on April 1,2020 and owned as to 99% by Master Genius and 1% by Master Sagittarius, one of the Group's Controlling Shareholders |
| "LED" | Light-Emitting Diode |
| "Listing" | the listing of the Shares on the Main Board of the Stock Exchange on January 15, 2021 |
| "Listing Date" | the date, namely January 15, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time |
| "LSS Family Trust" | the discretionary trust established by Ms. Liu as the settlor and the protector, with Family Trust Singapore as the trustee |
| "LXF Family Trust" | the trust established by Mr. Liu as the settlor and the protector, with Employee Trust Hong Kong as the trustee and Master Sagittarius as the beneficiary |
| "Main Board" | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange |
| "Master Genius" | MASTER GENIUS GLOBAL LIMITED, a BVI business company incorporated under the laws of the BVI on August 28, 2020 and wholly owned by Family Trust Singapore, the trustee of the LXF Family Trust |
| "Master Sagittarius" | Master Sagittarius Holding Limited, a BVI business company incorporated under the laws of the BVI on December 18, 2017 and wholly owned by Mr. Liu, one of the Group's Controlling Shareholders |
| "Model Code" | the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules |
| "Mr. Liu" | Mr. Liu Xiaofeng (劉小楓), Chairman, an executive Director, the chief executive officer of the Company, one of the Group's Controlling Shareholders and one of the registered shareholders of Jiangsu Strawbear |
| "Ms. Liu" | Ms. Liu Shishi (劉詩施), one of the Group's substantial Shareholders and one of the registered shareholders of Jiangsu Strawbear |

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| "Ms. Zhai" | Ms. Zhai Fang (翟芳), an executive Director, the chief operating officer of the Company and one of the registered shareholders of Jiangsu Strawbear |
| "Ms. Zhang" | Ms. Zhang Qiuchen (張秋晨), a former executive Director, the former chief marketing officer of the Company and one of the registered shareholders of Jiangsu Strawbear |
| "Ms. Zhao" | Ms. Zhao Liying (趙麗穎), one of the Group's Shareholders and one of the registered shareholders of Jiangsu Strawbear |
| "Nanjing Strawbear" | Nanjing Strawbear Business Consulting Co., Ltd. (南京稻草熊商務諮詢有限公司), a limited liability company established in the PRC on September 17, 2018 and an indirectly wholly-owned subsidiary of the Company |
| "Nomination Committee" | the nomination committee of the Board |
| "NRTA" | National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), the successor of the State Administration of Press, Publication Radio, Film, and Television of the PRC (中華人民共和國國家新聞出版廣電總局) |
| "Pre-IPO Share Option Scheme" | the pre-IPO share option scheme approved and adopted by the Company on May 11, 2020, the principal terms of which are summarised in "Appendix IV – Statutory and General Information – D. Other Information – (1) Pre-IPO Share Option Scheme" in the Prospectus |
| "Pre-IPO Share Options" | the share options granted under the Pre-IPO Share Option Scheme |
| "Prospectus" | the prospectus of the Company published on December 31, 2020 |
| "re-run broadcast" or "re-run" | the rebroadcast of a drama series that has previously been broadcast on the TV channel or online video platform, including second-run broadcast and all subsequent broadcasts on any channel |
| "Remuneration Committee" | the remuneration committee of the Board |
| "Reporting Period" | the twelve-month period from January 1, 2023 to December 31, 2023 |
| "RMB" or "Renminbi" | the lawful currency of the PRC |
| "RSU Scheme(s)" | 2021 RSU Scheme and/or 2022 RSU Scheme |

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| "RSU(s)" | restricted share unit(s) granted under the RSU Schemes, each of which represents one underlying Share, and represent a conditional right granted to any Selected Participant under the RSU Schemes to obtain the corresponding economic value of the underlying Shares, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion |
| "Selected Participant(s)" | any Eligible Participant approved by the Board for participation in the RSU Schemes on the relevant Grant Date |
| "Service Provider" | any person who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time |
| "Share(s)" | ordinary share(s) in the share capital of the Company with nominal value of US$0.000025 each |
| "Shareholder(s)" | holder(s) of the Shares |
| "Smart Century" | SMART CENTURY VENTURES LIMITED, a BVI business company incorporated under the laws of the BVI on June 24, 2020 and wholly owned by Family Trust Singapore, the trustee of the Gold Fish Trust |
| "Success Tale" | SUCCESS TALE ENTERPRISES LIMITED, a BVI business company incorporated under the laws of the BVI on August 28, 2020 and wholly owned by Employee Trust Hong Kong, the trustee of the Strawbear Employee Trust |
| "Trustee(s)" | the trustee (which is independent of and not connected with the Company) appointed by the Company for the administration of the RSU Scheme(s), which initially will be Futu Trustee Limited |
| "TV" | television |
| "Taurus Holding" | Taurus Holding Ltd., a BVI business company incorporated under the laws of the BVI on November 28, 2018, one of the Group's substantial shareholders |
| "TV series" | a series of scripted episodes that needs to obtain a distribution licence from the NRTA, which are broadcast on TV channels and/or new media channels such as online video platforms |

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| "US$" | United States dollars, the lawful currency for the time being of the United States |
| "viewership rating(s)" | an index which indicates the coverage rate of a TV series during a specific period, measured by the number of audience of a particular TV series as a percentage of the total audience |
| "Voting Arrangement Agreements" | the agreement and supplemental agreement thereof dated November 1, 2018 entered into by, among others, Mr. Liu, Ms. Liu, Ms. Zhai, Ms. Zhao, Ms. Zhang and their respective wholly-owned holding companies (where applicable) regarding certain arrangements for the voting rights in the members of the Group, details of which are set out in "History, Reorganisation and Corporate Development – Voting Arrangement and Lock-up Arrangements" in the Prospectus |
| "web film" | a film which has a length of more than 60 minutes and can only be broadcast on new media channels such as online video platforms |
| "web series" | a series of scripted episodes which can only be broadcast on new media channels such as online video platforms |

In this annual report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.