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ENJOYABLE AND INNOVATIVE
令人愉快且耳目一新
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
Mr. Chen Chen
Ms. Zhai Fang

Non-executive Directors

Mr. Wang Xiaohui
Ms. Zeng Ying (*resigned on April 19, 2022*)
Ms. Liu Fan (*appointed on April 19, 2022*)

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Zhang Senquan (*Chairman*)
Ms. Zeng Ying (*resigned on April 19, 2022*)
Ms. Liu Fan (*appointed on April 19, 2022*)
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
Mr. Wong Keith Shing Cheung
(*resigned on March 25, 2022*)
Ms. Zhang Xiao (*appointed on March 25, 2022*)

AUTHORISED REPRESENTATIVES

Ms. Zhai Fang
Mr. Wong Keith Shing Cheung
(*resigned on March 25, 2022*)
Ms. Zhang Xiao (*appointed on March 25, 2022*)

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CHAIRMAN'S STATEMENT

I am pleased to present our shareholders with the annual report of the Group for the year ended December 31, 2022.

BUSINESS HIGHLIGHTS

1) Continued to deepen the platform operation model

In 2022, the trends of smaller structural fluctuation and opting for calm growth in the film and television market has been shown as the result of the pandemic developments and the changes of policy support. The demand for richness and diversity of quality film and television productions from broadcast platforms and audiences became more prominent, and content development focused more and more on improving both production efficiency and quality assurance, posing higher requirements and challenges to industry participants. The past year was full of challenges and opportunities. The Group was cautiously optimistic in its continuous exploration and comprehensive layout of content segments and inclusive content formats. With the effective operation of the platform operation model and the continuous enhancement of our internal middle platform management capabilities as the cornerstone, the Group has been accumulating and piling up its own resources and corporate strengths, fully integrating resources of various types of quality creators in the market. Promoted by industrial production, the network effect of the platform operation has continuously expanded and the closed loop of the entire industry chain is getting stable, making it possible to maintain a virtuous cycle between content production and drama series quality and to strive for steady and consistent delivering of premium quality content.

In 2022, driven by its platform operation model, the Group continued to keep the drama series investment and production at a steady pace, and as the major/exclusive investor and executive producer, invested and produced five drama series, including *The Examination for Everyone*¹ (大考), a contemporary drama series starring Chen Baoguo (陳寶國), Wang Qianyuan (王千源) and Hu Xianxu (胡先煦); *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); *The Forbidden Flower*² (夏花), a metropolitan romance drama series starring Jerry Yan (言承旭) and Xu Ruohan (徐若瑄); *The Lost* (孤戰)³, a modern revolution drama series starring Huang Jingyu (黃景瑜) and Xin Zhilei (辛芷蕾); and *You are Desire* (白日夢我), a youthful romantic drama series starring Zhuang Dafei (莊達菲) and Zhou Yiran (周翊然), among which *The Examination for Everyone* (大考) has already been broadcast in 2022. As of the end of 2022, the Group has reserved a wide array of quality drama series with various genres to be broadcast and under preparation.

While ensuring an adequate number of drama series in stock, the Group has also been committed to improving the quality of drama series, and actively developing and producing quality drama series with stronger market influence and in-platform attention, in a bid to bring better quality and premium content to the public. In 2022, the Group broadcast series including *The Bachelors* (追愛家族), *The Examination for Everyone* (大考), *Thousand Years For You* (請君), *Unchained Love* (浮圖緣)⁴ and *Song of the Moon* (月歌行)⁵, as of the date of this Report, *The Forbidden Flower* (夏花) and *Hello Beautiful Life* (心想事成) have been broadcast, all of which received positive broadcast effect and market response. In addition, drama series broadcast by the Group have been awarded with a number of accolades, for example, *Thousand Years For You* (請君) was listed on the "2022 Online Audio-visual Excellence Programs (2022 網絡視聽精品節目)" released by the Online Audio-visual Program Administration Division of NRTA (國家廣播電視總局網絡視聽節目管理司), *The Examination for Everyone* (大考) was listed on the "2022 China TV Drama Anthology (2022中國電視劇選集)" released by NRTA, and *The Forerunner* (前行者) was nominated for the Outstanding TV Drama Award of The 33rd China TV Drama Flying Apsaras Awards (第33屆中國電視劇飛天獎優秀電視劇獎).

¹ The translation name of the drama series *Big Examination* (大考) had been changed to *The Examination for Everyone* (大考).

² The translation name of the drama series *Summer Flower* (夏花) had been changed to *The Forbidden Flower* (夏花).

³ The name of the drama series *Memories Lost at 97° East Longitude* (失落在東經97度的記憶) had been changed to *The Lost* (孤戰) from December 2022.

⁴ The translation name of the drama series *Our Destiny In Self-Redemption* (浮圖緣) had been changed to *Unchained Love* (浮圖緣).

⁵ The translation name of the drama series *Flying To The Moon* (月歌行) had been changed to *Song of the Moon* (月歌行).



BUSINESS HIGHLIGHTS (CONT'D)

2) Continued to improve the closed-loop ecosystem for the entire industry chain

In 2022, in order to further improve the layout of resources in the entire industry chain and continuously built a closed-loop ecosystem for content development, the Group closely monitored the market conditions and industry trends, adjusted its business development strategy in a timely manner and devoted efforts in exploring opportunities to cooperate with quality business partners along the upstream and downstream of the industry chain. Noticing the style/preference and clear user profile of the downstream broadcasting platform, the Group quickly deployed quality resources through its platform operation model to develop tailored content and deliver them precisely, thereby continuously optimising and broadening its customer base in a prospective manner. Taking *You are Desire* (白日夢我) as an example, the Group is joining hands with Mango TV for the first time to broadcast this youth romance drama series, which matches Mango TV's target user of youth, urban and female, and thus the Group has become a strategic partner in MangoTV's 2023 "New Mango S Plan (新芒S計劃)". Apart from the existing content output model and customer structure, the Group is also actively exploring and developing D2C content, online and offline live interaction based on quality IP expansion and opportunities of joint development with domestic and international streaming media partners.

What is more, the Group continuously expanded and deepened its partnership with outstanding talents and artists in the upstream industry, adjusted and optimised the talent structure and built a composite talent ladder by recruiting and bringing in core management team and business backbone, and attracting the professionals in the industry to join the core team. The Group also enhanced the adhesion between the Group and outstanding artists who were scarce resources in the industry and played an important role in the production of the Group's drama series through various means, such as business/equity partnerships and equity incentives, and further attracted talents and outstanding artists in the industry to join the Group's content ecosystem to empower the production of quality content.

With its professional and refined business management service capabilities and the continued increase in the number of quality industry partners who share its vision, the Group believes that the closed-loop ecosystem of the entire industry chain will continue to be improved, and with the help of long-term synergies, the Group will be able to steadily build on its strengths and build up a strong foundation that consistently and steadily brings quality and diversified quality contents to the public.

3) Diversified IP reserves and created an IP ecological matrix

The Group attached great importance to the stockpiling and development of IPs and has been strengthening the evaluation dimension and market acumen of its content evaluation team to continuously accumulate IPs with diversified themes and genres. In addition, the Group has also prioritised its IP development work, strengthened its own creation and research and development, actively developed original IP and expanded to build an IP ecological matrix with meta-universe nature, further established and enhanced the commercial brand value of IP. It is committed to the multi-directional and stereo development of quality IP, exploring multi-dimensional and multi-round value realisation, and achieving the series and branded operation model of high-quality IP.

As of December 31, 2022, in addition to the drama series already broadcast and to be broadcast, the Group has engaged screenwriters to create more than 20 original IPs based on initial ideas and more than 30 adapted IPs based on licensed IPs, covering teen drama, office drama, family drama, comedy, history, period romance and others. While maintaining a stable number of IP reserves, the Group has also strengthened its control over the quality and conversion effectiveness of IP development content.

The Group believes that quality IP creation, development and reserves form a solid foundation for creating quality drama series and are necessities for exploring IP serialisation, branding and diversified derivative values. The Group will focus on the development and transformation of quality IPs to build an IP ecological matrix and incubate more quality content.

FINANCIAL HIGHLIGHTS

The Group's revenue decreased by 42.4% year-on-year from RMB1,703.1 million in 2021 to RMB980.9 million in 2022. The Group's gross profit decreased by 57.4% year-on-year from RMB516.2 million in 2021 to RMB219.8 million in 2022. The Group's profit for the year decreased by 70.5% year-on-year from RMB169.4 million in 2021 to RMB50.0 million in 2022. The Group's adjusted net profit⁶ decreased by 62.1% year-on-year from RMB194.1 million in 2021 to RMB73.6 million in 2022.

OUTLOOK

Looking ahead, as "Spring thunder resounds, everything awakened and blooms", the Group will focus on the three major directions of organic growth, content ecosystem and outward expansion to drive sustainable growth, improve the efficiency and quality of the Group's content output and promote the extension of the Group's content ecosystem.

1) Emphasise on organic growth and build content brands

As the platform operation model constantly deepens and its network effects become clear, the Group achieved quality improvement and quantity retention in content production in 2022, with a clearer positioning of the content label as a cradle of excellent works and outstanding creators. The ample stock of diversified projects and the rapidly improving team operating capability have formed a fertile ground for organic growth.

The Group will emphasise organic growth, enhance its ability to evaluate and select content and its competence in gate-keeping of content production, and fully utilise the advantages of the Group's platform operation model to increase the certainties for a successful project. The Group will also strengthen the conversion efficiency of existing quality content and focus on the multi-dimensional development of existing quality IPs and serialised IPs, thereby giving sufficient momentum to the conversion of quality content production and subsequent expansion of derivative value.

On top of this, the Group will continue to build a content label, further deepen the sound operation and steady improvement of the platform operation model by optimising and improving the entire process of content development and refining the management of the entire project production process. The Group will improve the conversion and output of quality content aiming for excellence, strengthen the recognition of the content label, and actively and efficiently develop and convert serialised, branded and diversified premium content, with a view to continuously and stably deliver quality dramas.

⁶ The Group defines adjusted net profit as profit for the year adjusted by adding back changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expenses and/or listing expenses incurred during the respective year.



OUTLOOK (CONT'D)

2) Active development of quality business partners

In the future, in order to further optimise client structure and actively explore innovation in business models, the Group will actively explore outstanding business partners along the industry chain in the content ecosystem, increase the Group's brand influence through quality IP content reserves, IP ecological matrix building, efficient project operation and management and accurate content development and placement, attract cooperation opportunities from diversified broadcasting platforms, and explore content markets focusing on emerging segments. In addition, the Group will continue to seek cooperation with outstanding industry talents and artists throughout the whole industry chain, establish and maintain long-term and stable cooperative relationships with them through the provision of professional operation, management services and diversified incentive mechanisms and cooperation models, and attract them to join the Group's content ecosystem to empower the production of quality content.

The Group will continue to provide professional business services to quality players in the market, and continue to provide solutions to outstanding industry talents, artists and clients, open up communication and collaboration with the upstream and downstream of the industry chain, establish a closed-loop ecosystem for efficient interaction in both directions, and help the film and television cultural industries flourish.

3) Creatively transform existing strengths and innovatively develop new segments

The Group is actively exploring new segments and extension of business cooperation methods within the greater cultural and entertainment industry to diversify the commercial channels for monetisation. In 2022, the Group actively explored and developed D2C content and has already reserved/invested a number of such drama series at this stage, which will be broadcast in due course depending on the business development process. In addition, the Group is actively expanding its music and online movie segments, content business exportation as well as offline live interactive partnership channels and business models. The Group will strive to capitalise on policy and market opportunities, continuously explore the derivative value from content innovation, creatively transform existing strengths to achieve long-term synergistic development and innovatively develop a growth curve for multi-dimensional content ecosystem.

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. 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 27, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is a major content producer and distributor in the PRC, and is principally engaged in the investment, development, production and distribution of TV series, web series and films.

In 2022, as the policy environment and market trends kept evolving, and with the growing demand for quality content from platforms and audiences, the Group adhered to its development strategy of persevering in producing quality content as a long-termist, emphasising on self-sourced IP as the core for content development and production. We accumulated and conserved our own resources and corporate strengths with the effective operation of the platform-based operation model and the continuous improvement of the internal middle platform's management capability as the cornerstone, fully integrated the resources of quality creators of various genres in the market, rapidly deployed quality resources in the industry, and developed content targeting at different circles and audiences accurately and efficiently by utilising our refined business management service capabilities. While improving the efficiency of production, we continued to increase the output rate of "high-quality drama series" to adapt to the rapidly changing market demand and achieve the goals of improving quality and quantity as well as sustainable development. As of the end of 2022, the Group has reserved a large number of quality drama series with a wide variety of genres and forms to be broadcast and under preparation.

The Group's content production capability has also been widely recognised by the market. Since 2017, the Group has been listed as the holder of the Television Drama Production Permit (Class A) (《電視劇製作許可證(甲種)》) for six consecutive years, and became one of the 41 holders of the permit in 2021-2023 as well as the only non-state-owned company holding the permit in Jiangsu Province. The Group was also awarded the accolade of the fourth-year "Top 30 Private Cultural Enterprise in Jiangsu Province" (第四屆“江蘇民營文化企業30強”) at the Event for Fostering High-quality Development of Cultural Industry in Jiangsu Province (江蘇省文化產業高質量發展推進會) held on April 20, 2022.

The Group will keep aiming for long-term growth, remain steadfast to enhancing content quality in essence, adhere to cultural inheritance and innovation, keep abreast with the times, and create influential quality works of all-time.



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, 2022, the Group has produced and/or distributed but yet to broadcast seven TV series and two 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, 2022	Expected Broadcasting Time
TV Series						
<i>Never Give Up</i> (今日宜加油)	Metropolitan	Wu Qiang (吳強), Yu Zhongzhong (于中中), Zheng Kai (鄭愷), Chen Yuqi (陳鈺琪), Wang Hedi (王鶴棣)	Production and distribution	Adaptation	Post-production	February 21, 2023
<i>Hello Beautiful Life</i> (心想事成)	Metropolitan	Liu Yizhi (劉一志), Mao Xiaotong (毛曉彤), Zhang Li (張麗), Li Zefeng (李澤鋒)	Production and distribution	Original	Post-production	March 9, 2023
<i>Cat & Thief</i> (門賊)	Crime	Gong Zhaohui (龔朝暉), Huang Jingyu (黃景瑜), Xiu Rui (修睿)	Production and distribution	Adaptation	Post-production	2023
<i>Legend of Bikini</i> (乘風踏浪)	Metropolitan	Zhang Silin (張思麟), Qiao Shan (喬杉), Yang Zishan (楊子珊)	Production and distribution	Original	Post-production	2023
<i>Never Too Late</i> (我的助理六十歲)	Metropolitan	Ding Pei (丁培), Wang Ziwen (王子文), Deng Jie (鄧婕), Bai Jingting (白敬亭)	Production and distribution	Original	Post-production	2023
<i>The Lost</i> (孤戰)	Modern Revolution	Xie Ze (謝澤), Huang Jingyu (黃景瑜), Xin Zhilei (辛芷蕾)	Production and distribution	Original	Post-production	2023
<i>You are Desire</i> (白日夢我)	Metropolitan	Deng Ke (鄧珂), Zhuang Dafei (莊達菲), Zhou Yiran (周翊然)	Production and distribution	Adaptation	Post-production	2023
Web Series						
<i>The Forbidden Flower</i> (夏花)	Metropolitan	Chen Zhoufei (陳宙飛), Jerry Yan (言承旭), Xu Ruohan (徐若晗)	Production	Adaptation	Post-production	February 13, 2023
<i>The Girl Who Sees Smells</i> (你好·我的對面男友) ¹	Metropolitan	Ma Ming (馬鳴), Jia Yi (嘉羿), Jin Zixuan (金子璇)	Production and distribution	Original	Post-production	March 20, 2023

¹ The name of the drama series *My Girlfriend is The Antidote* (我的女友是解藥) had been changed to *The Girl Who Sees Smells* (你好·我的對面男友) from October 2022.

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, 2022, the Group had several TV series/web series that had applied for public record and registered with the local counterparts of the NRTA. The table below sets forth certain details of some of the Group's pipeline drama series projects:

Proposed Name of the Drama series	Genre	Copyright Ownership	Status as of December 31, 2022	Time of Public Record
TV Series				
<i>In The Name Of Handsome</i> (以英俊之名)	Metropolitan	The Group	Pre-production	2021
<i>Early Spring</i> ² (沒有我的城)	Modern Revolution	The Group	Pre-production	2022
<i>On The Silent And Lonely Stream</i> (在寂與真的川流上)	Metropolitan	The Group	Pre-production	2021
<i>Ordinary Life, Ordinary Love</i> (人間煙火和你)	Metropolitan	The Group	Pre-production	2022
Web Series				
<i>Cloud Lovers</i> (雲端戀人)	Modern Other	The Group	Pre-production	2022
<i>Four Seas Song</i> (四海顏歌)	Period Other	The Group	Pre-production	2022

Business Analysis by Business Line

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

The Group broadcast 4 drama series in 2022, including *Unchained Love* (浮圖緣), *The Bachelors* (追愛家族), *Wild Bloom* (風吹半夏) and *Great Person* (數風流人物), representing a decrease as compared to the number of drama series having broadcast in 2021. The revenue generated from the Group's licensing of the broadcasting rights of drama series amounted to RMB481.0 million for the year ended December 31, 2022 as compared to RMB1,107.2 million for the year ended December 31, 2021. The decrease in the number of drama series broadcast by the Group in 2022 was mainly due to the reduction of the mobility of production staffs as a result of the COVID-19 outbreak, which led to a delay in filming and post-production of drama series and obtaining the broadcast licenses than expected, resulting a decrease in the numbers of drama series meeting broadcast conditions as of December 31, 2022.

Despite the two-way impact of the pandemic and changes of policy, the Group still kept the drama series investment and production at a steady pace, and continued to strengthen the development and conversion efficiency of IP reserves by leveraging its platform operation model to deepen the accumulation of high-quality industry resources and continuously improving content quality assessment capabilities. For example, the production of *The Bachelors* (追愛家族), a drama series produced and distributed by the Group, started filming in June 2021, and the whole process from filming to post-production and distribution was completed within 10 months. This drama series was broadcast on several online video platforms and TV channels in March 2022. Since its broadcast, *Unchained Love* (浮圖緣) has achieved relatively good broadcast results both in China and overseas, continuing to enhance the brand effect of the Group's single product output. The Group will also continue to explore the virtuous cycle of production capacity and quality, continuously improve the quality and reputation of its content output, and achieve sustainable and stable development of the Group.

² The translation name of the drama series *Lies* (沒有我的城) had been changed to *Early Spring* (沒有我的城).



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, 2022, the Group has a large number of high-quality and diverse drama series to be broadcast or pipeline drama series planned to be broadcast in the near future. For example, *Cat & Thief* (鬥賊), a crime comedy about the battle of wits between a detective and the “king of thieves”; *Legend Of Bikini* (乘風踏浪), a metropolitan drama series about people who make swimsuit in Xingcheng riding on the wind of reform to successfully start a business; *Hello Beautiful Life* (心想事成), a metropolitan drama series about sisters with very different personalities being loyal to their hearts to fight for themselves and pursue a better life against dull routine; *The Lost* (孤戰), 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; and *Never Give Up* (今日宜加油), a group portrait office comedy about daily life of ordinary strivers. Among them, *Hello Beautiful Life* (心想事成), 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.

As of the date of this report, *Never Give Up* (今日宜加油), an office comedy starring Zheng Kai (鄭愷), Chen Yuqi (陳鈺琪) and Wang Hedi (王鶴棣) has been broadcast on February 21, 2023, which tells the ups and downs of ordinary people in the office in a relaxed, humorous and healing way, filling the vacancy of domestic office sitcoms at this time; *Hello Beautiful Life* (心想事成), a metropolitan emotion drama series starring Mao Xiaotong (毛曉彤), Zhang Li (張儼) and Li Zefeng (李澤鋒) has been broadcast on March 9, 2023, which portrays sparks and warmth of the reality of the family life of ordinary urban people, which stimulates the audience to think about their life and pursuit of dreams; and *The Girl Who Sees Smells* (你好·我的對面男友), a metropolitan drama series starring Jia Yi (嘉羿) and Jin Zixuan (金子璇), has been broadcast on March 20, 2023, which portrays a humorous and romantic journey of an ordinary girl and a “rejuvenated boss”, achieving a breakthrough of the Group in D2C content segment. All three dramas have achieved good broadcast results.

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

In 2022, the Group recorded a relatively stable delivery for its made-to-order drama series production business, with three made-to-order drama series delivered in the year, including *The Examination for Everyone* (大考), *Thousand Years For You* (請君) and *Song of the Moon* (月歌行), which was in line with 2021. The Group's revenue generated from made-to-order drama series production business also remained relatively stable compared to 2021, amounting to RMB495.9 million for the year ended December 31, 2022 and RMB540.2 million for the year ended December 31, 2021.

The Group continues to seize the opportunities for business cooperation with online platforms, develop tailored content and deliver them precisely according to the style/preference and clear user profile of the downstream broadcasting platform, steadily develop its production of made-to-order drama series business, and make efforts to deliver quality content products with a wide variety of genres while maintaining its existing level of production. The made-to-order drama series broadcast in 2022 have been received positive market response and awarded with a number of accolades. Among them, *Thousand Years For You* (請君), starring Ren Jialun (任嘉倫) and Li Qin (李沁), was listed on the “2022 Online Audio-visual Excellence Programs (2022網絡視聽精品節目)” released by the Online Audio-visual Program Administration Division of NRTA, *The Examination for Everyone* (大考), starring Chen Baoguo (陳寶國), Wang Qianyuan (王千源) and Hu Xianxu (胡先煦), was listed on the “2022 China TV Drama Anthology (2022中國電視劇選集)” released by NRTA. *Breath Of Destiny* (一起深呼吸), the broadcast drama series in 2021, also won the second prize of the “Jiangsu TV Drama Awards 2021-2022”.

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, 2022, the Group has a number of high-quality made-to-order drama series to be broadcast and under preparation in the near future. For example, *The Forbidden Flower* (夏花), a metropolitan romance drama series about the love story between a young girl and a middle-aged man; and *Early Spring* (沒有我的城), a modern revolution drama series about a young communist using twin brother to stop the enemy's actions and secretly assisting the victory of the revolution.

As of the date of this report, *The Forbidden Flower* (夏花), a metropolitan romance drama series starring Jerry Yan (言承旭) and Xu Ruohan (徐若晗) has been broadcast on February 13, 2023. For the first time, the pioneering art film style was integrated into the production of a drama series, presenting the audience with a love story told under a different perspective and achieving good broadcast results.

(iii) Others

The Group's other business primarily includes (i) investing in drama series as a non-executive producer with share of copyrights; and (ii) assignment of copyright of an IP license held by the Group to an Independent Third Party.

OUTLOOK

Looking forward, the Group will continue to adhere to the concept of organic growth, focus on the entire industry chain layout based on the development and operation of self-sourced IP, strengthen its brand influence and appeal as a content enterprise, and continuously and steadily present the public with high-quality drama series. The Group will actively expand and attract quality partners and customers, continue to provide efficient professional services and solutions, strengthen its position in the ecosystem of content chain, and explore innovations in cooperation. Focusing on developing an IP ecological matrix of meta-universe nature to create a serialised and branded IP operation management model, it will actively explore new tracks in the cultural and entertainment industry, develop D2C content segment, expand overseas content markets and offline real-scene interaction business models and cooperation channels.

The Group is determined to make great strides forward hand in hand with industry participants, explore and unleash more quality content values to provide the public with diversified premium contents and works.



IMPACT OF COVID-19

The spread of COVID-19 in China recurred in 2022, which had certain adverse impact on the operations and financial results of the Group. During the year ended December 31, 2022, the reduction of mobility of production staff of the Group due to the outbreak of COVID-19 pandemic led to a delay in filming and post-production of drama series and obtaining the broadcast permissions, resulting in a decrease in the number of drama series of the Group broadcast during the year ended December 31, 2022, the revenue of the Group has decreased by approximately 42.4% from approximately RMB1,703.1 million for the year ended December 31, 2021 to approximately RMB980.9 million for the year ended December 31, 2022.

The Company maintained a healthy financial position in 2022 and the recurrence of COVID-19 did not have material adverse impact on the liquidity position of the Group. As of December 31, 2022, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounted to RMB1,696.4 million and RMB208.0 million, respectively. 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.

The Group has closely monitored the latest development of COVID-19 so as to adopt proactive measures to overcome any challenges arising and to assess the related impact on an ongoing basis. During the COVID-19 pandemic, the Group took countermeasures in a timely manner to reduce its impact. In the specific process of production, the Group carefully selects on-site filming locations, and films/produces drama series in film bases with a complete and mature filming management system and a strict pandemic prevention and control mechanism. Except for on-site filming, the Group's early-stage preparations, screenwriters, post-production partners and employees can work remotely and communicate with each other through mobile phones, computers, the internet and other media tools to facilitate the progress of each project in a timely manner.

If COVID-19 continues to spread in 2023, the filming of drama series may be suspended and the process of drama series at pre-production and post-production stage may be delayed as a result, and in turn affects the business operations and financial position of the Group.

The Group will adhere to taking a priority on corporate social responsibility, actively take anti-epidemic actions, fulfill social responsibility, and work hand in hand with industry partners to help each other to move forward.

Management Discussion and Analysis

2022 FINANCIAL REVIEW

Consolidated statement of profit or loss

	Year ended December 31,	
	2021	2022
	RMB in thousands	
REVENUE	1,703,064	980,923
Cost of sales	(1,186,879)	(761,170)
Gross profit	516,185	219,753
Other income and gains	44,145	33,889
Selling and distribution expenses	(227,353)	(48,309)
Administrative expenses	(56,578)	(65,432)
Impairment of financial assets	(6,460)	(39,166)
Other expenses	(1,235)	(888)
Finance costs	(22,008)	(17,329)
Share of profits or losses of joint ventures	1,904	(4,357)
Share of profits or losses of associates	(831)	(225)
Changes in fair value of financial liabilities at fair value through profit or loss	(1,610)	–
PROFIT BEFORE TAX	246,159	77,936
Income tax expense	(76,781)	(27,929)
PROFIT FOR THE YEAR	169,378	50,007
Attributable to:		
Owners of the parent	169,249	50,933
Non-controlling interests	129	(926)
	169,378	50,007
NON-HKFRS MEASURE⁽¹⁾:		
Adjusted net profit ⁽²⁾	194,137	73,562





2022 FINANCIAL REVIEW (CONT'D)

Consolidated statement of profit or loss (cont'd)

Notes:

- (1) To supplement its financial information which are presented in accordance with HKFRS, the Group also uses adjusted net profit 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 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 as profit for the year adjusted by adding back changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expenses and/or listing expenses incurred during the respective period. The Group eliminates the potential impacts of these items that the management does not consider to be indicative of the Group's operating performance, as they are either non-operating or one-off expenses. Changes in fair value of financial liabilities at fair value through profit or loss and equity-settled share award expenses are also non-cash items and unrelated to the Group's principal business, and therefore are not indicative of its profit from operations post-completion of the Listing. In particular, changes in fair value of financial liabilities at fair value through profit or loss refer to redeemable preferred shares, which were converted into ordinary shares immediately prior to the Listing and are not expected to recur after such conversion. Listing expenses are one-off expenses relating to the Listing.

Revenue by Business Line

The Group's revenue decreased from RMB1,703.1 million for the year ended December 31, 2021 to RMB980.9 million for the year ended December 31, 2022, primarily attributable to the decrease in the number of drama series of the Group broadcast during the year ended December 31, 2022, which was due to the delay in filming and post-production of drama series and obtaining the broadcast permissions caused by the reduction of mobility of production staff due to the outbreak of COVID-19 pandemic.

	Year ended December 31,			
	2021		2022	
	(RMB in thousands, except percentages of revenue)			
Licensing of the broadcasting rights of drama series	1,107,249	65.0%	481,025	49.0%
Made-to-order drama series production	540,188	31.7%	495,877	50.6%
Others	55,627	3.3%	4,021	0.4%
Total	1,703,064	100.0%	980,923	100.0%

Management Discussion and Analysis

2022 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 decreased from RMB1,107.2 million for the year ended December 31, 2021 to RMB481.0 million for the year ended December 31, 2022, primarily due to the decrease in the number of drama series broadcast in 2022. The Group broadcast 4 drama series in 2022, including *The Bachelors* (追愛家族), *Unchained Love* (浮圖緣), *Wild Bloom* (風吹半夏) and *Great Person* (數風流人物), representing a decrease as compared to 15 drama series broadcast in 2021.

Made-to-order drama series production

The Group's revenue generated from production of made-to-order drama series decreased from RMB540.2 million for the year ended December 31, 2021 to RMB495.9 million for the year ended December 31, 2022. The Group delivered three made-to-order drama series in 2022, which was the same as in 2021. However, the investment scale for the delivered made-to-order drama series was relatively smaller than in 2021.

Others

Others primarily comprise revenue from (i) the net licensing fee received from investments in drama series as a non-executive producer with share of copyrights; and (ii) the assignment fee received from the copyright of an IP license.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by 57.4% from RMB516.2 million for the year ended December 31, 2021 to RMB219.8 million for the year ended December 31, 2022. The Group's gross profit margin decrease to 22.4% for the year ended December 31, 2022 from 30.3% for the year ended December 31, 2021, primarily attribute to fewer market opportunities.

The following table sets forth the Group's gross profit and gross profit margin by business line in 2021 and 2022:

	Year ended December 31,			
	2021		2022	
	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	482,334	43.6%	134,639	28.0%
Made-to-order drama series production	28,520	5.3%	83,632	16.9%
Others	5,331	9.6%	1,482	36.9%
Total	516,185	30.3%	219,753	22.4%





2022 FINANCIAL REVIEW (CONT'D)

Other Income and Gains

Other income and gains decreased by 23.1% or approximately RMB10.2 million from RMB44.1 million for the year ended December 31, 2021 to RMB33.9 million for the year ended December 31, 2022. This was primarily attributable to the decrease in net foreign exchange differences of RMB6.0 million and the decrease in government grants of RMB5.5 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses significantly decreased by 78.8% to RMB48.3 million for the year ended December 31, 2022 from RMB227.4 million for the year ended December 31, 2021, primarily due to the decrease in the number of drama series of the Group broadcast during the year ended December 31, 2022.

Administrative Expenses

The Group's administrative expenses increased by 15.5% to RMB65.4 million for the year ended December 31, 2022 from RMB56.6 million for the year ended December 31, 2021, primarily due to (i) the increase in employee benefit expenses of RMB7.5 million; (ii) the newly recognised expenses of RMB5.8 million due to the termination of several drama series projects in 2022; and partially offset by (iii) the decrease in depreciation and amortisation of RMB3.3 million due to the disposal of Nova Film Technology (Jiangsu) Co., Ltd. (諾華視創電影科技(江蘇)有限公司) in November 2021.

Impairment of Financial Assets, net

The Group's impairment of financial assets, net increased from RMB6.5 million for the year ended December 31, 2021 to RMB39.2 million for the year ended December 31, 2022, primarily due to the provisions made by the Group for (i) the impairment of trade receivables, net of RMB1.2 million; (ii) the impairment of other receivables, net of RMB7.0 million and (iii) the impairment of amount due from a joint venture, net of RMB31.0 million. Details of the amount due from a joint venture and the impairment made by the Group for such amount due from a joint venture are set out below:

The amount due from a joint venture of RMB31.0 million relates to the outstanding loans (the "**Relevant Loans**") provided by the Group in 2021 to Xiangshan Xingyu Yinyue Culture Media Co., Ltd. (象山星宇愷樂文化傳媒有限公司) (the "**Joint Venture**"), a joint venture held by the Group and an independent third party, the terms of which were further extended for another year in 2022. The Joint Venture primarily engages in talent management and cultural and entertainment brokerage business. The Relevant Loans were provided to the Joint Venture as capital turnover to support its business operations, which in turn is conducive to realizing the Group's investment value in the Joint Venture. As of December 31, 2022, the Joint Venture had not repaid the Relevant Loans, and the Company recorded an amount due from the Joint Venture of approximately RMB31.0 million, consisting of a principal amount of RMB28.75 million and accrued interest of approximately RMB2.28 million.

Prior to the provision and extension of the Relevant Loans, the Company carried out the following actions according to its internal control and credit assessment procedures: (i) conducted credit investigation on the Joint Venture, including but not limited to tax qualification and litigation record of the Joint Venture, any material violation of laws or regulations (including tax laws or regulations), any regulatory sanction, and any serious illegal or dishonest act; (ii) obtained and reviewed the latest management accounts of the Joint Venture then available and assessed the financial position and repayment abilities of the Joint Venture; (iii) reviewed the operating status of the Joint Venture, including but not limited to material business contracts and business plans of the Joint Venture, and intended use of the Relevant Loans; (iv) computed the applicable percentage ratios in respect of the provision of the Relevant Loans to ensure compliance with the Listing Rules; (v) assessed the impact on the Group's normal operation if the Relevant Loans were made; and (vi) submitted the results of the actions performed under the aforesaid items (i) to (v) to the chief financial officer and the chief executive officer of the Company for approval on a level-by-level basis.

Management Discussion and Analysis

2022 FINANCIAL REVIEW (CONT'D)

Impairment of Financial Assets, net (cont'd)

Based on the results of the above actions, the Company concluded that (i) the default risk of the Joint Venture was relatively low at that time; and (ii) there would not be any material negative impact on the normal operation of the Group if the Relevant Loans were provided or extended given that the amount of the Relevant Loans was of a limited scale as compared to the total assets and cash and cash equivalents of the Group as of the end of the relevant financial year.

However, the market environment for the artist management industry has changed significantly since the provision of the Relevant Loans by the Group. The relevant market opportunities have shrunk, and the career paths planned for the artists of the Joint Venture are under strategic adjustments, resulting in a slowdown in the business development of the Joint Venture and uncertainties as to its future prospects. Moreover, as a start-up talent management company established in November 2020, the Joint Venture experienced longer investment payback period on its artists than expected, especially under the negative impact of COVID-19 where offline performances and activities sharply reduced in 2021 and 2022.

Before the end of 2021, the Company learnt from the Joint Venture that it was in business negotiation to seek opportunities for its managed artists to participate in commercial activities. Based on the information then provided by the Joint Venture, the Company expected that such business negotiation is likely to have a positive outcome and the Joint Venture could generate sufficient income in 2022, thus assessed the default risk of the Joint Venture under the Relevant Loans to be relatively low at that time. Therefore, no provision for impairment was made for the Relevant Loans for the financial year of 2021. However, based on a re-assessment of the financial position and business situation of the Joint Venture at the end of 2022 with its unclear future profitability, the Company considered that the Joint Venture is unable to generate sufficient income and operating cash flow at the current stage and the loan to the Joint Venture is unlikely to be repaid in the foreseeable future. Accordingly, the Company recognized impairment in full of the outstanding amount of the Relevant loans for the financial year of 2022.

For further details of the impairment of financial assets, net, please refer to the Notes 6, 20, 21 and 33 to the financial statements.

Finance Costs

The Group's finance costs decreased by 21.3% from RMB22.0 million for the year ended December 31, 2021 to RMB17.3 million for the year ended December 31, 2022, primarily due to the decrease in interest on discounted trade receivables of RMB5.4 million.

Income Tax Expense

The Group's income tax expense decreased by 63.6% to RMB27.9 million for the year ended December 31, 2022 from RMB76.8 million for the year ended December 31, 2021, primarily due to (i) the decrease in taxable profit made in 2022; and (ii) the decrease of deferred tax expense which were impacted by the provision of accrued expenses.



2022 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 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 may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has its 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 as profit for the year adjusted by adding back changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expenses and/or listing expenses incurred during the respective period. The Group eliminates the potential impacts of these items that the management does not consider to be indicative of the Group's operating performance, as they are either non-operating or one-off expenses. Changes in fair value of financial liabilities at fair value through profit or loss and equity-settled share award expenses are also non-cash items and unrelated to the Group's principal business, and therefore are not indicative of its profit from operations post-completion of the Listing. In particular, changes in fair value of financial liabilities at fair value through profit or loss refer to redeemable preferred shares, which were converted into ordinary shares immediately prior to the Listing and are not expected to recur after such conversion. Listing expenses are one-off expenses relating to the Listing.

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

	Year ended December 31,	
	2021	2022
	(RMB in thousands)	
Reconciliation of net profit to adjusted net profit		
Net profit for the year	169,378	50,007
Add:		
Changes in fair value of financial liabilities at fair value through profit or loss	1,610	-
Equity-settled share award expenses	21,424	23,555
Listing expenses	1,725	-
Adjusted net profit	194,137	73,562

Management Discussion and Analysis

FINANCIAL POSITION

Consolidated statement of financial position (selected items)

	Year ended December 31	
	2021	2022
	(RMB in thousands)	
Total non-current assets	150,866	134,372
Total current assets	2,689,701	2,358,191
Total current liabilities	1,056,933	661,772
Net Current assets	1,632,768	1,696,419
Total non-current liabilities	10,402	5,185
Total equity	1,773,232	1,825,606

Inventories

	Year ended December 31,	
	2021	2022
	(RMB in thousands)	
Raw materials	144,203	178,178
Work in progress	776,873	157,453
Finished goods	178,933	773,802
Total	1,100,009	1,109,433

The Group's inventories increased by 0.9% to RMB1,109.4 million as of December 31, 2022 from RMB1,100.0 million as of December 31, 2021, primarily due to (i) the increase of finished goods of RMB594.9 million since the Group completed the production of *The Lost* (孤戰), *Legend of Bikini* (乘風踏浪), *Never Too Late* (我的助理六十歲), and *Never Give Up* (今日宜加油), etc., in 2022 which were yet to be broadcast as of December 31, 2022; (ii) the increase of raw materials of RMB34.0 million as the Group acquired more premium IPs in 2022; and partially offset by (iii) the decrease of work in progress of RMB619.4 million as the Group completed production of its drama series, *Thousand Years For You* (請君), *Unchained Love* (浮圖緣) and *Song of the Moon* (月歌行), which were broadcast in 2022.

Trade and Notes Receivables

The Group's trade receivables decreased by 36.8% to RMB450.0 million as of December 31, 2022 from RMB712.2 million as of December 31, 2021, primarily due to the decrease in trade receivables of RMB545.0 million for drama series broadcast in previous years and partially offset by the increase in trade receivables of RMB282.8 million for drama series broadcast in 2022.

As of December 31, 2021 and 2022, the Group made provisions for impairment of trade receivables of approximately RMB17.3 million and RMB18.4 million, respectively, which the Group believes were sufficient as of the end of each year.

The Group's notes receivables increased from RMB108.1 million as of December 31, 2021 to RMB113.8 million as of December 31, 2022, primarily due to (i) the increase in notes receivables 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 increase in notes receivables received as prepaid production fee for *You are Desire* (白日夢我); and partially offset by (iii) the decrease in notes receivables discounted by certain banks in Mainland China.

FINANCIAL POSITION (CONT'D)

Prepayment, Other Receivables and Other Assets

The Group's prepayment, other receivables and other assets increased by 6.3% to RMB386.2 million as of December 31, 2022 from RMB363.2 million as of December 31, 2021, primarily attributable to (i) the increase in loans receivable of RMB68.1 million; and partially offset by (ii) the decrease in prepayments for drama series of RMB36.9 million, since lower amount of the drama series entered into the filming and post-production stage as of December 31, 2022 than in 2021.

As of December 31, 2021 and 2022, the Group made provisions for impairment of other receivables of nil and approximately RMB7.0 million, respectively, which the Group believes were sufficient as of the end of each year.

Goodwill

The Group's goodwill was RMB108.3 million as of December 31, 2022 and December 31, 2021.

Other Intangible Assets

The Group's other intangible assets decreased from RMB14.5 million as of December 31, 2021 to RMB0.01 million as of December 31, 2022, primarily due to the amortisation of intangible assets of RMB14.5 million for the drama series which broadcast in 2022.

Trade Payables

The Group's trade payables decreased by 16.2% from RMB256.8 million as of December 31, 2021 to RMB215.3 million as of December 31, 2022, primarily due to the settlement of trade payables.

Other Payables and Accruals

The Group's other payables and accruals decreased by 65.2% to RMB158.2 million as of December 31, 2022 from RMB454.6 million as of December 31, 2021, primarily due to the decrease in contract liabilities of RMB255.6 million from RMB392.6 million as of December 31, 2021 since certain amount of contract liabilities as of December 31, 2021 had been recognised as revenue during the year ended December 31, 2022 for two drama series broadcast in 2022.

DIVIDENDS

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2022.

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, 2021, the Company had 694,747,000 ordinary shares of US\$0.000025 each.

On May 12, 2022, 1,882,400 new Shares, representing approximately 0.3% 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 of the Company under the Pre-IPO Share Option Scheme. For details, please refer to the announcement of the Company dated May 12, 2022. There has been no movement in the issued Shares of the Company since then.

The Company maintained a healthy financial position in 2022. The Group's total assets decreased from RMB2,840.6 million as of December 31, 2021 to RMB2,492.6 million as of December 31, 2022, whilst the Group's total liabilities decreased from RMB1,067.3 million as of December 31, 2021 to RMB667.0 million as of December 31, 2022. The Group's liabilities-to-assets ratio decreased from 37.6% as of December 31, 2021 to 26.8% as of December 31, 2022.

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

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, 2022, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounted to RMB1,696.4 million and RMB208.0 million, respectively, as compared to RMB1,632.8 million and RMB302.8 million, respectively, as of December 31, 2021.

As of December 31, 2022, 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, 2022, the Group's total interest-bearing bank and other borrowings were approximately RMB276.0 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.

As of December 31, 2022, the Group did not have any significant contingent liabilities.

Capital Expenditure

The Group's capital expenditures primarily included purchase of property, plant and equipment. The Group's capital expenditures increased to RMB3.0 million in 2022 from RMB1.8 million in 2021. 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 17.0% for the year ended December 31, 2021 to 2.8% for the year ended December 31, 2022, primarily due to the decrease in profit for the year and the increase in the arithmetic mean of the opening and closing balances of its total equity from 2021 to 2022.

Return on Assets

The Group's return on assets decreased from 7.2% for the year ended December 31, 2021 to 1.9% for the year ended December 31, 2022, primarily due to the decrease in profit for the year and the increase in the arithmetic mean of the opening and closing balances of its total assets from 2021 to 2022.

Current Ratio

The Group's current ratio increased from 2.54 for the year ended December 31, 2021 to 3.56 for the year ended December 31, 2022, primarily because the decrease in its current liabilities outpaced the decrease in its current assets from 2021 to 2022.

Debt to Equity Ratio¹

The Group's debt to equity ratio was not applicable as of December 31, 2021 and was 4.0% as of December 31, 2022.

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, due to a joint venture and due to 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, 2022. As of December 31, 2022, 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 deduction of the 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), *My Mr. Cat* (我的貓先生), *Steal His Heart* (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), *Legend Of Bikini* (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 acquiring 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**”).

Management Discussion and Analysis

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, 2022; (iv) the utilised and unutilised amount of Net Proceeds as of December 31, 2022; and (v) the latest expected timeline for utilisation:

	Net proceeds from the global offering and utilisation					Expected timeline for utilisation ⁽¹⁾
	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, 2022 HK\$ in million	Utilised amount of Net Proceeds as of December 31, 2022 HK\$ in million	Unutilised amount of Net Proceeds as of December 31, 2022 HK\$ in million	
Funding the drama series production of the Group						
<i>Unchained Love</i> ⁽²⁾ (浮圖緣)	76.5	76.5	–	76.5	–	–
<i>Song of the Moon</i> ⁽³⁾ (月歌行)	100.8	100.8	–	100.8	–	–
<i>Your Sensibility My Destiny</i> ⁽⁴⁾ (公子傾城)	38.6	38.6	–	38.6	–	–
<i>Hello Baby</i> (你好寶貝)	57.0	–	–	–	–	–
<i>My Mr. Cat</i> (我的貓先生)	68.6	4.1	–	4.1	–	–
<i>Steal His Heart</i> (偷走他的心)	68.6	0.1	–	0.1	–	–
<i>The Wind Catcher</i> (捕風者)	87.1	1.1	–	1.1	–	–
<i>Two Capitals</i> (兩京十五日)	252.6	–	–	–	–	–
<i>Cat & Thief</i> (鬥賊)	–	110.0	–	110.0	–	–
<i>Legend Of Bikini</i> (乘風踏浪)	–	110.0	–	110.0	–	–
<i>Never Too Late</i> (我的助理六十歲)	–	145.0	11.2	145.0	–	–
<i>Thousand Years For You</i> (請君)	–	163.6	–	163.6	–	–
Sub-total	749.8	749.8	11.2	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 2023
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	50.7	64.8	42.3	By the end of 2023
Working capital and general corporate purposes	107.1	107.1	–	107.1	–	–
Total	1,071.1	1,071.1	61.9	921.7	149.4	

USE OF PROCEEDS FROM GLOBAL OFFERING (CONT'D)

Notes:

- (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.
- (2) The translation name of the drama series *Our Destiny In Self-Redemption* (浮圖緣) had been changed to *Unchained Love* (浮圖緣).
- (3) The translation name of the drama series *Flying To The Moon* (月歌行) had been changed to *Song of the Moon* (月歌行).
- (4) The translation name of the drama series *Handsome Yong Master* (公子傾城) had been changed to *Your Sensibility My Destiny* (公子傾城).

As of December 31, 2022, the Group has utilised Net Proceeds of RMB921.7 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 did 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 annual 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, 2022, the Group's trade receivables, which had an aggregate net carrying value of approximately RMB211,384,000 (2021: RMB649,438,000), the pledged deposit amounting to RMB61,493,000 (2021: RMB91,139,000), and the restricted cash amounting to RMB43,200,000 (2021: Nil) were pledged to secure the interest-bearing bank and other borrowings granted to the Group.

Management Discussion and Analysis

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, cash deposits at banks and due from a joint venture. 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 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.

For further information relating to its credit risk, see Note 36 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 36 to the financial statements.





EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2022, the Group had 65 employees, including 23 based in Jiangsu Province, 29 based in Beijing, 3 based in Xinjiang Uyghur Autonomous Region, 2 based in Zhejiang Province and 8 based in Hainan Province. The following table shows a breakdown of the employees by function as of December 31, 2022:

Function	Number of Employees	% of Total Employees
Management	4	6.2%
Development Strategic Management	4	6.2%
Operation and Project Coordination	8	12.3%
Production	4	6.2%
IP Development	2	3.1%
Business Operation	3	4.6%
Production Management	4	6.2%
Financing and Investment	1	1.5%
Distribution	3	4.6%
Casting and Talents Management	1	1.5%
Marketing and Promotion	2	3.1%
Government Affairs	1	1.5%
Finance and Legal	14	21.5%
Corporate Compliance	2	3.1%
Human Resources and Administrative	11	16.9%
Overseas Development	1	1.5%
Total	65	100.0%

For the year ended December 31, 2022, total staff remuneration expenses (including Directors' remuneration) amounted to RMB41.1 million. 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. 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.

EMPLOYEES AND REMUNERATION POLICIES (CONT'D)

The employees of the Group typically enter into standard employment contracts with a confidentiality clause and non-compete 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.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there was 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 45, 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 25 drama series with over 1,250 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 seized 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 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). He 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 and Senior Management

DIRECTORS (CONT'D)

Executive Directors (cont'd)

Ms. Zhang Qiuchen (張秋晨), aged 45, is an executive Director and the chief marketing officer of the Company. Ms. Zhang joined the Group in October 2014 and is 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 40, 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 45, 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 54, 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 and Senior Management

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. Zeng Ying (曾穎), aged 45, was a non-executive Director and a member of the Audit Committee. Ms. Zeng resigned as a non-executive Director with effect from April 19, 2022. Ms. Zeng Ying joined the Group in April 2021, and was primarily responsible for providing strategic advice and making recommendations on financial management and business development to the Board.

Ms. Zeng has extensive experience in financial management and had held various high-level positions in listed companies. Ms. Zeng joined iQIYI (Stock Code: IQ.NASDAQ) in February 2017 as the vice president of finance department, primarily responsible for the overall financial management and procurement of iQIYI. Prior to that, she served as the deputy director of budget control and financial analysis department of Baidu, Inc. (Stock Codes: BIDU.NASDAQ and 9888.HK) from June 2011 to February 2017, primarily responsible for the budgeting and analysis of sales system, fund management and corporate finance management. From June 2003 to May 2011, she served as a financial manager of eLong, Inc., the shares of which were listed on NASDAQ from October 2004 to May 2016 and was later merged into the group currently held by Tongcheng-Elong Holdings Limited (Stock Code: 0780.HK).

Ms. Zeng obtained a bachelor's degree in accounting from Wuhan University of Technology (武漢理工大學) in July 1999 and a master's degree in professional accounting from Peking University (北京大學) in June 2014.

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





DIRECTORS (CONT'D)

Non-executive Directors (cont'd)

Ms. Liu Fan (劉帆), aged 36, 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.

Independent Non-executive Directors

Mr. Ma Zhongjun (馬中駿), aged 65, 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.

Directors and Senior Management

DIRECTORS (CONT'D)

Independent Non-executive Directors (cont'd)

Mr. Zhang Senquan (張森泉) (formerly known as Zhang Min (張敏)), aged 46, 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), Natural Food International Holding Limited (五谷磨房食品國際控股有限公司) (Stock Code: 1837.HK) and Sang Hing Holdings (International) Limited (生興控股(國際)有限公司) (Stock Code: 1472.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).

Mr. Zhang previously served as an independent non-executive director 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.





DIRECTORS (CONT'D)

Independent Non-executive Directors (cont'd)

Mr. Chung Chong Sun (鍾創新), aged 47, 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.

Mr. Chung is currently an independent non-executive director of 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 45, 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 45, is the chief marketing officer and an executive Director. For details of her biography, please see "– Directors – Executive Directors."

Mr. Chen Chen (陳晨), aged 40, 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 45, 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 35, is a joint company secretary of the Company who was appointed on March 25, 2022.

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

This is the third Environmental, Social and Governance (“**ESG**”) Report (this “**Report**”) of the Company. It covers the progress of the work for the period from January 1, 2022 to December 31, 2022 and provides a comprehensive overview of the Company’s management policy and performance with respect to ESG in 2022.

During the preparation of this Report, the Company strives to make the information covered in this Report meet the requirements of the Stock Exchange in terms of materiality, quantification and consistency. The Company will continue to strengthen its collection of reporting information to enhance the Company’s performance and disclosure on sustainability issues.

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 its scope are consistent with that of the annual report of the Company.

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 27 of the Listing Rules, with reference to the Sustainable Development Goals (“**SDGs**”) of the United Nations.

4 STATEMENT OF DATA SOURCES AND RELIABILITY

All the 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 content of this Report to ensure that it is free from any false records, misleading statements or material omissions.

This Report was approved for publication by the Board of Directors on March 24, 2023.

5 BOARD STATEMENT

The Board attaches great importance on 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 Environmental, Social and Governance Committee (the "**ESG Committee**") under the Board, established on March 25, 2022, is responsible for assisting the Board in formulating the Company's ESG-related strategies, objectives and management policies, coordinating the resources required by the objective of sustainable development, monitoring the implementation of sustainable development objective, reviewing and supervising ESG practices and reporting to the Board on ESG issues. The Environmental, Social and Governance working group ("**ESG working group**") is accountable to the ESG Committee and responsible for coordinating all relevant departments and carrying out specific ESG projects and periodic and objective assessment on the results and effectiveness of the ESG work to ensure the implementation of various ESG issues.

The Company attaches great importance to 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 "Analysis of Material Issues" 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, 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 improving its emission reduction measures under the environmental scope. In the future, the Company will continue to monitor and review the accomplishment of the goals, and continuously escalate commitment to sustainable development 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 to realise common sustainable development in economy, society and environment.

6 RESPONSE TO THE ESG REPORTING PRINCIPLES OF THE STOCK EXCHANGE

Materiality: In line with relevant regulatory requirements such as the ESG Reporting Guide, the Company communicated with various stakeholders by different means, with benchmark analysis on the issues disclosed in the ESG reports of its industry peers, conducted an in-depth analysis on the Company's strengths and characteristics so as to conclude with the materiality matters of the Company.

Quantification: The Company has developed ESG indicator management tools that cover all departments, and not only conducts regular statistics on the quantitative key disclosure indicators for the entire "environmental" scope and part of the "social" scope under the ESG Reporting Guide. The indicators are summarised and disclosed at the end of the year, but also compiled an ESG performance list that can be assessed and verified.

Balance: This Report aims to review and disclose the Company's management measures and performance on ESG issues from an objective and fair perspective.

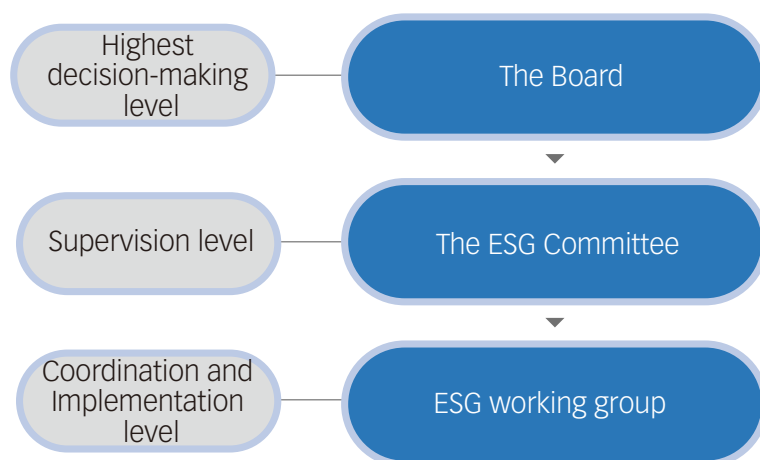
Consistency: Compared with the annual report of the Company, this Report made no major adjustment to the scope of disclosure and used the same standards and methods in calculating the qualitative key indicators to ensure both reports are comparable.



7 ESG MANAGEMENT

7.1 ESG MANAGEMENT STRUCTURE

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 4 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 full 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.

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, and regularly conducts objectives assessments of the results and effectiveness of the Group’s ESG work and reports to the ESG Committee.

7.2 GUIDING PRINCIPLES FOR ESG MANAGEMENT

The Company attaches great importance to the organic integration of its ESG guiding principles with its operation and development, constantly improves its ESG management practices and puts focus on the corporate structure of the Company's platform operation model so as to build an innovative, energetic and sustainable ecology which efficiently connects each stage of content production in order to achieve target-specific customisation and delivery of its content products 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 optimisation of its green and low-carbon operation model and pro-active response to climate change are important part of sustainable development. Therefore, the Company has integrated the ESG management guiding principles with its overall strategy, management philosophy and business plan so as to form a standardised and disciplined management system.

The Company continues to enhance its ESG practices and, by taking into account the corporate development strategy, current development of the ESG issues and the foundation laid by its previous efforts, has formulated the following ESG management strategies: continuously enhancing its green and low-carbon operation model, actively promoting the idea of eco-office and eco-filming, 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; building a fair, clean, honest, win-win and sustainable supply chain management system so as to effectively reduce industry risks, establishing an ecologically closed-loop content production link with the Company as the core and enhancing the influence of the Group on sustainable development; establishing a sound system to protect employees' rights and welfare so as to achieve harmonious and win-win employment relationship; adhering to innovation and exploration, creating quality content products that convey positive energy and providing professional business services, exploring and developing films and drama series relevant to the ESG era so as to actively and adequately fulfill its responsibility, as a content producer, of delivering correct values to the public; strengthening the prevention and control practices against compliance risks and public opinion crises, and building a corporate culture of clean, integrity, upright and honesty; and fulfilling its original commitments, i.e., 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.

7.3 SOCIAL HONORS

During the Report Period, the Company was awarded the "Top 10 Powerful Producer of 2021 (2021年度十大實力出品公司)" in the 5th Eagle Eye Craftsmanship List (第五屆鷹眼匠心榜) issued in June 2022 and honored as one of the enterprises in the 4th "Top 30 Private Cultural Enterprises in Jiangsu (江蘇民營文化企業30強)" in the Promotion Conference of High-quality Development of Culture (文化高質量發展推進會) held in Jiangsu Province on April 20, 2022, by virtue of its efficient implementation of ESG management and quality drama series produced. In addition, in Nanjing, where its headquarter is located, the Company was awarded "2021 Outstanding Enterprise of High-quality Development of Culture, Tourism and Sports (2021年度文旅體高質量發展優秀企業)" by Pukou District Culture and Tourism Bureau of Nanjing and "2021 Advanced Group of Xingdian Construction (2021年度建設星甸先進集體)" by Pukou District Xingdian Street Office of Nanjing in 2022.



Photo: Social Honor Awards



8 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 ESG management philosophy, serving as a guideline for the Company's ESG work.

While actively growing the business, the Company actively seeks to realise 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.



Picture: The 17 SDGs of the United Nations

SDGs related to the Company's business	Goal description	The Company's action
3 Good health and well-being	Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> 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 It has designated a fitness and a meditation area in the office, and holds regular sports events for the employees so as to create a healthy and safe work environment It has flexibly adjusted employees' working hours and workplace based on the national pandemic prevention and control policy to protect employees' health
4 Quality education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> The Company provides its employees with on-the-job training programs which focus on their career capability development It encourages and supports its employees to participate in external capacity building training programs
5 Gender equality	Achieve gender equality and empower all women and girls	<ul style="list-style-type: none"> The Company realises the concept of gender diversity, firmly opposes gender discrimination and provides equal opportunities for female employees 33.3% of the Board members are female, and the Company will continue to commit to lifting the proportion of female members 55.4% of the Company's staffs are female, and the Company remains committed to maintaining a high level of female representation in its workforce in the future

Environmental, Social and Governance Report

SDGs related to the Company's business	Goal description	The Company's action
8 Decent work and economic growth	Ensure decent work for all so as to drive regional economic growth	<ul style="list-style-type: none"> 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 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 It encourages employees to pursue balance between life and work
9 Industry, innovation and infrastructure	Build a resilient infrastructure, promote an inclusive and sustainable industrialisation and foster innovation	<ul style="list-style-type: none"> The Company has taken the lead to establish a platform operation model which stimulates the vitality in every aspect of content production It encourages creative content and seeking ways for incubation, development and production of series and genre-based high-quality works with diversified segments for multiple target circles and tiers It actively expands the supply chain finance model for the cultural and entertainment industry It constantly improves its customer structure and business cooperation model with the broadcasting platforms
10 Reduced inequality	Reduce inequality within and among countries	<ul style="list-style-type: none"> The Company provides unconscious bias management training and a more strategic, transparent and equitable career path for all employees It encourages its employees to actively participate in public welfare activities and care for the lives of people with disabilities
12 Responsible consumption and production	Ensure sustainable consumption and production practices	<ul style="list-style-type: none"> The Company encourages green office and green production It practises responsible product content promotion and protects customer privacy It has improved its communication mechanism with customers to collect feedback
13 Climate action	Take urgent action to respond to climate change and its impacts	<ul style="list-style-type: none"> The Company actively promotes the concept of low-carbon environmental development It supports the China's strategy of carbon peaking and neutrality target and has formulated scientific carbon reduction measures It strives to identify climate risks and address them proactively





SDGs related to the Company's business	Goal description	The Company's action
16 Peace, justice and strong institutions	Promote peaceful and inclusive societies to promote sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	<ul style="list-style-type: none"> The Company has created a corporate culture of integrity, honesty and fairness It operates in compliance with regulations and with integrity
17 Partnerships for the goals	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development	<ul style="list-style-type: none"> The Company continuously strengthens its supply chain management so as to promote win-win and sustainable supplier partnerships It promotes communication and cooperation among industry peers, and continues to put efforts on building the community for outstanding talents and artists

9 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 maximise comprehensive value with stakeholders.

Stakeholders	Expectations and requirements	Communication and response
Government and regulators	Compliance with laws and regulations Paying tax in compliance with law Compliance operation Business ethnics Support economic development	Compliance management Daily communication and reporting Full payment of tax Industrial production of quality drama series
Shareholders and investors	Financial results	Regular disclosure of financial and operational information

Environmental, Social and Governance Report

Stakeholders	Expectations and requirements	Communication and response
	<ul style="list-style-type: none"> Regulated corporate governance Business development Information disclosure Communication channels 	<ul style="list-style-type: none"> General meetings Corporate website and investor relations email Earnings conference calls for Interim and annual results Non-trading roadshow
Customers	<ul style="list-style-type: none"> Quality of service Product quality Satisfaction of diverse demands of customers Feedback channels 	<ul style="list-style-type: none"> Product innovation and upgrade Customer information and privacy protection Provision of tailored customer services for different user profiles.
Employees	<ul style="list-style-type: none"> Protection of employees' rights and interests Career development platform Protection of occupational health Work-life balance 	<ul style="list-style-type: none"> Formulation and updating from time to time of the Staff Manual Well-established rules for promotion and career development Competitive remuneration and benefits Employee training Team building activities and budgets
Suppliers and partners	<ul style="list-style-type: none"> Cooperation with integrity Information sharing Win-win cooperation Business ethnics and credibility 	<ul style="list-style-type: none"> Supplier selection system Promotion of daily communication Implementation of project cooperation Performance of obligations under agreements in accordance with the law, and supplier evaluation Special internal control and risk management
Society and the public	<ul style="list-style-type: none"> Support of social welfare activities Participation in community development 	<ul style="list-style-type: none"> Engagement in charitable causes Volunteer services





Stakeholders	Expectations and requirements	Communication and response
	Protection of natural environment	Promotion of resource and energy efficiency

10 ANALYSIS OF MATERIAL ISSUES

In order to accurately identify the focus of ESG management practice and fully optimise the practice of ESG issue-based management, the Company established an analysis 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

A total of 24 material issues were identified, which would pose impact on the Company's operations and development or affect the stakeholders' assessment and decision-making of the Company, 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.

Conducting interview and market research

Third party experts and consultants were engaged to take charge in relevant work, and prepare and distribute questionnaires on substantive ESG issues, together with the interviews with the Company's management and other stakeholders and comparison with the ESG performance of comparable companies in the same industry against the benchmarks.

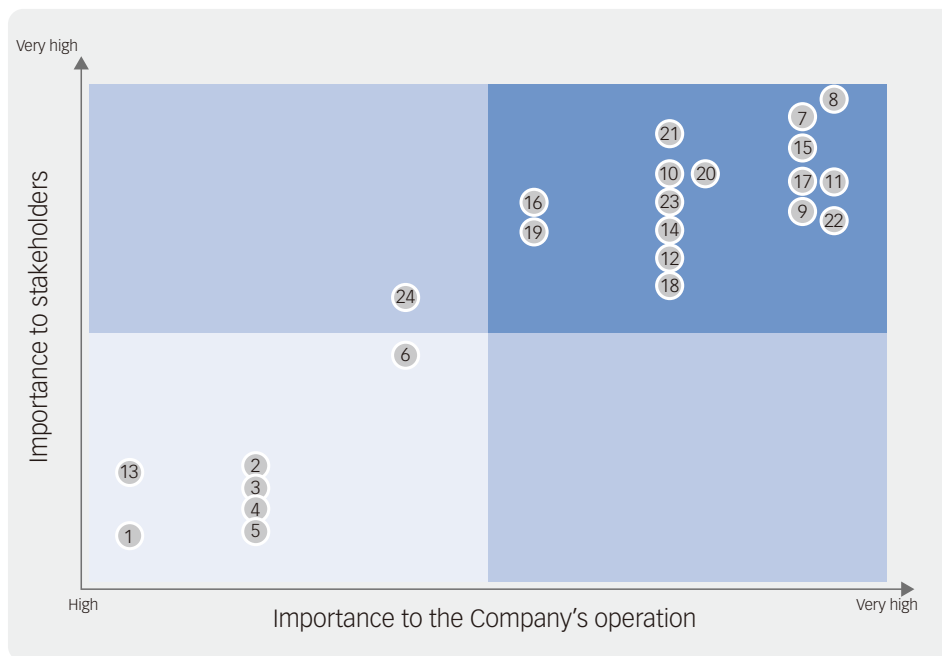
Determination of the priority of issues

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 matrix was established based on the results of the issue evaluation and special disclosure on issues that fall into the core issues matrix was made in the report.

During the Reporting Period, the Company sorted and analysed 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. The Company identified sixteen issues of high importance, one of moderate importance and seven of low importance.



Picture: Material issues analysis in 2022



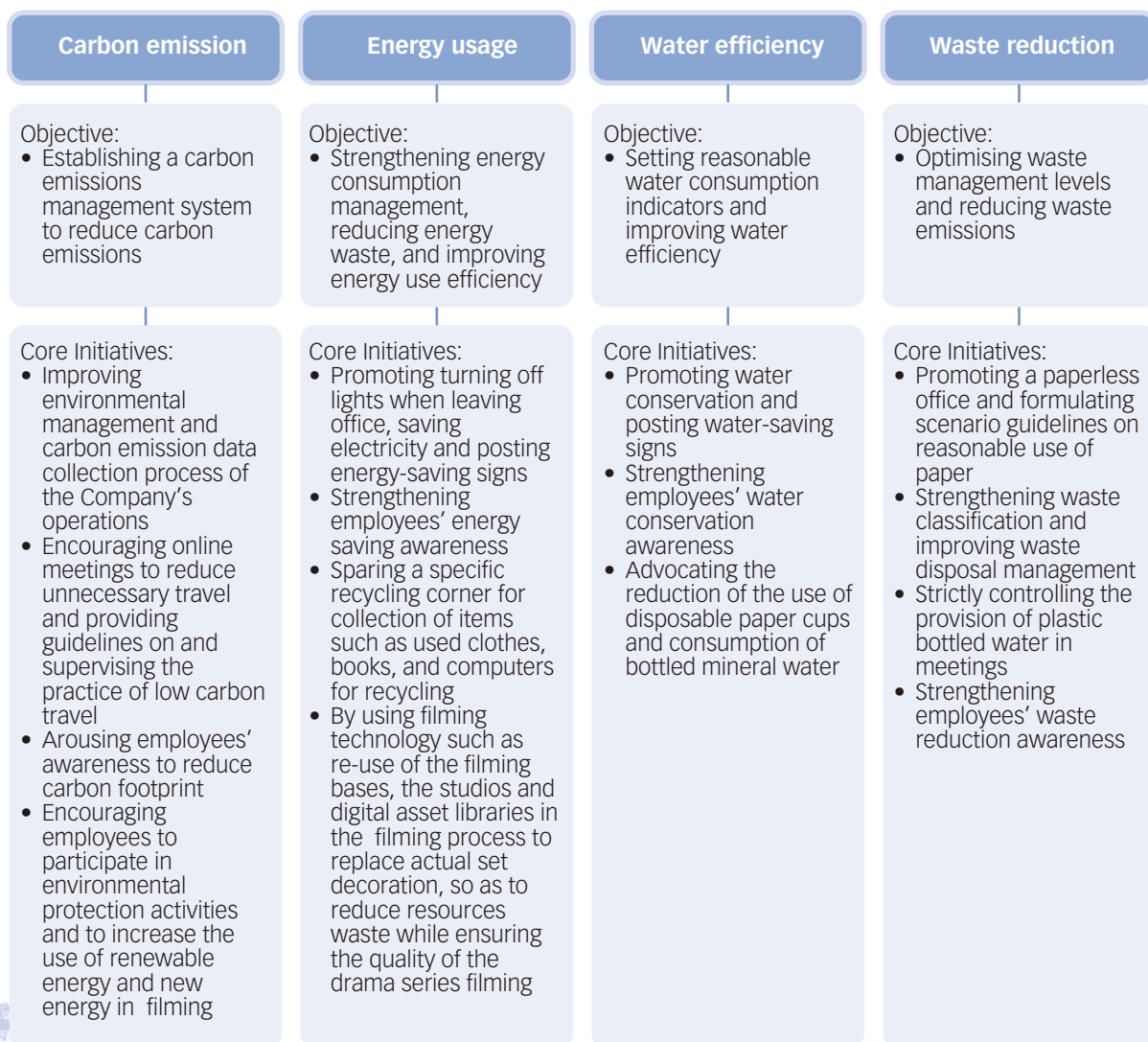


Materiality	No.	Issue name
Issue of high importance	7	Employees' Health and Safety
	8	Protection of Employees' interests
	15	Intellectual Property Protection
	17	Innovation in Content and Form
	11	Product and Service Quality
	9	Employees Training and Development
	21	Compliance Operation
	20	Business Ethnics
	10	Legal and Compliance Employment
	23	Tax Payment Transparency
	22	Cultivation of Anti-corruption and Integrity Culture
	14	Information Security and Privacy Protection
	12	Supply Chain Management
	18	Communication with Stakeholders
	16	Diversity of film and television audience
	19	Risk Management
	Issue of moderate importance	24
Issue of low importance	6	Sustainable Consumer Relationship Management
	3	Water Resources Management
	2	Energy Management
	4	Waste Management
	13	Community Investment and Public Welfare
	5	Climate Change Adaptation
	1	Greenhouse Gas (GHG) Emissions Management

11 A ENVIRONMENTAL RESPONSIBILITY

The Company consistently insists on the concept of green development, actively responds to the call for building a resource-saving and environment-friendly society, 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 environmental protection awareness propaganda, minimises the negative impact on the ecological environment, and continuously contributes to the construction of ecological civilisation.

During the Reporting Period, the Company 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 core practices of achievement, and actively promoted the implementation of relevant actions and measures. The Company will strengthen the follow-up and feedback on the progress of objective achievement.





11.1 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, food waste and other daily office 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 business 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 2022

Indicator	Unit	2022
Total hazardous waste generation	Tonnes	0.023
Hazardous waste generation intensity	Tonnes/RMB million revenue	0.00002
Hazardous waste by category		
Used toner cartridges	Tonnes	0.002
Used batteries	Tonnes	0.011
Used ink cartridges	Tonnes	0.010
Other electronic waste (not recyclable), including, among others, computers and printers	Tonnes	0
Total non-hazardous waste generation	Tonnes	4.260
Non-hazardous waste generation intensity	Tonnes/RMB million revenue	0.00434
Non-hazardous waste by category		
Office paper	Tonnes	0.300
Domestic waste	Tonnes	2.376
Food waste	Tonnes	1.584

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 or formulate a carpooling plan. It advocates green travel to reduce carbon emission, and keeps timely maintenance for official vehicles to ensure their normal operation and reduce gas exhaustion. In addition, the Company uses low-carbon methods such as in-studio filming and computer special effects during drama series filming and production process, to replace part of the on-site set decoration and the filming of explosion scenes, which significantly reduced total GHG emissions.

Table: GHG emission in 2022

Indicator		Unit	2022
Scope 1:	Direct GHG emissions ¹	tCO ₂ e	17.76
	Intensity of direct GHG emissions	tCO ₂ e/RMB million revenue	0.01810
Scope 2:	Indirect GHG emissions ²	tCO ₂ e	27.14
	Intensity of indirect GHG emissions	tCO ₂ e/RMB million revenue	0.02766
	Total GHG emissions	tCO ₂ e	44.89
	Intensity of total GHG emissions	tCO ₂ e/RMB million revenue	0.04577

¹ Direct (Scope 1) GHG emissions is calculated based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories 2019 Update (《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 is calculated based on the Average CO₂ Emission Factor of Regional Power Grids in China in 2011 and 2012 (《2011年和2012年中國區域電網平均二氧化碳排放因子》) issued by National Development and Reform Commission.

11.2 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 content, which do not produce large quantities of physically tangible products, and therefore does not use or consume large quantities of packaging materials. In addition, the Company has low consumption of resources and energy as it has small number of staffs, and only uses energy during office hours and when using cars. The water source of the Company is municipal water supply and the Company has been able to obtain suitable water sources without difficulty. 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 efficiency and productivity through green industrialised 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 utilisation 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 2022**

Indicator	Unit	2022
Purchased electricity	kWh	32,390
Gasoline	Liter	8,050
Total energy consumption ¹	Tonnes of standard coal equivalent	12.90
Energy use intensity	Tonnes of standard coal equivalent/RMB million revenue	0.01316
Conversion of electricity for energy consumption	kWh	105,003.99
Conversion of electricity for energy consumption intensity	kWh/RMB million revenue	107.04611

¹ Total energy consumption is 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 Standardisation Administration of the People's Republic of China.

Table: Water Resource Consumption in 2022

Indicator	Unit	2022
Total water consumption	Tonnes	1,310
Total water consumption intensity	Tonnes/RMB million revenue	1.33548

11.3 A3 The Environment and Natural Resources

Since the Company is 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, 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 substantial impact on the environment and nature resources.

11.3.1 Green Office

The Company actively promotes the environmental practices of low-carbon office operations and adheres to green operation. In 2022, the Company actively used video conference and teleconference to carry out its work and reduced business trips; promoted smart office and advocated paperless office to reduce paper waste; posted water and electricity saving signs in the office, encouraged turning off the lights immediately before leaving the office and reduced the use of disposable paper cups and the consumption of bottled mineral water; spared a specific corner for the collection of used clothes, books, computers and other waste materials for recycling, gave priority to reusable waste for recycling, and encouraged its employees to foster a green office concept and low-carbon life awareness to eliminate waste.



Photo: Electricity saving sign in the Company



Photo: Water saving sign in the Company

11.3.2 Green Production

In order to reduce unnecessary resource consumption and carbon emissions in the traditional film and television production industry, the Company adhered to the principle of low-carbon priority in the process of filming while ensuring the quality of the drama series, and encouraged the filming crew to use clean-energy vehicles instead of petro fuel vehicles; and made full use of the filming technologies such as re-use of the filming bases, the studios and digital asset libraries to replace actual set decoration to reduce the waste of time, resources and transportation. On the filming site, the crew would appoint dedicated personnel to manage and maintain the surrounding areas around the shooting site and clean up the site after the completion of the shooting so as to avoid ecological damage. In addition, the Company promoted the collection and reusing of the props by building a warehouse in Hengdian World Studios base to store the crew's assets, such as props and clothes, for reusing so as to maximise the reuse rate of resources and reduce the pollution caused by waste disposal from the source.

11.4 A4 Climate Change

Climate change is one of the greatest challenges that the world faces in the 21st century. Responding to climate change represents an objective and inherent requirement for China's sustainable development, and the Company is no exception to such impacts. The Company insists on regarding China's strategy of carbon peaking and neutrality goals as the highest strategic guideline, aligning with industry standards, formulating environmental protection plans and actively responding to the national carbon peaking and carbon neutrality goals.

The Company handled issues relating to climate risk management based on the recommendations of the Task Force on Climate-Related Financial Disclosure (the "TCFD") and the requirements of the ESG Committee. As the Company's business mainly involves drama series and films production and licensing of drama series and films broadcasting rights, except for on-site filming, early-stage preparations, screenwriters, post-production partners and employees, as well as other employees of the Company can meet the Company's operational requirements through an online office model, thus the Company's operation process faces with lesser climate change risks, which mainly refers to the acute risks caused by extreme weather such as floods. In order to cope with climate change and extreme weather, the Company is committed to reducing impact for climate change in places where it operates and produces content, proactively develop various business continuity plans (BCP), establish efficient and orderly disaster precautions and relief operation mechanism, notify its employees to work from home or withdraw from the shooting site in a timely manner in case of extreme weather changes, and build shelter facilities or notify work suspension in advance. By enhancing the safety and emergency response capability of the Company's business to cope with and withstand natural disasters, the Company avoids and mitigates the safety risks caused by natural disasters to the greatest extent possible and safeguards the normal operation of the Company.



12 B SOCIAL

12.1 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》) and the Remuneration Management Measures (《薪酬管理辦法》) 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 form of Staff Manual to help them familiarise with the Company's operations, employment and labor practices during induction. In the event of alteration in local labor regulations, the Company will update the manual and distribute the revised version to all employees in a timely manner.

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 relevant talents who are interested in film, television and content production to attend recruitment interviews. For those who pass the interview, the Company will sign an employment contract or labor contract 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 so that employees can realise their values in a harmonious and stable environment and grow with the Company.

The Company is committed to facilitating 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.

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.

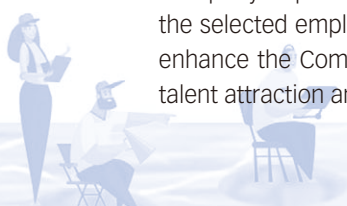
Table: Employee Information of the Company in 2022

Indicator		Unit	2022
Total number of employees		Person	65
Number of employees by gender	Male employees	Person	29
	Female employees	Person	36
Number of employees by age	Under 30	Person	15
	31-39	Person	29
	Over 40	Person	21
Number of employees by employees' rank	Decision Leadership	Person	4
	Senior management	Person	4
	Middle management	Person	19
	Junior employees	Person	38
Number of employees by types of employment	Full-time employees	Person	65
	Part-time employees	Person	0
Number of employees by regions	Mainland China	Person	65
	Hong Kong, Macau and Taiwan	Person	0
	Overseas	Person	0

Table: Information on Turnover of Employee of the Company in 2022

Indicator		Unit	2022
Total turnover rate of employee		%	16.9
Turnover rate of employee by gender	Male employee	%	6.9
	Female employee	%	25
Turnover rate of employee by age	Under 30	%	33.3
	31-39	%	13.8
	Over 40	%	9.5
Turnover rate of employee by regions	Mainland China	%	16.9
	Hong Kong, Macau and Taiwan	%	0
	Overseas	%	0

The Company has established a fair, reasonable, motivating and competitive salary system, continuously optimises the salary policy and constantly regulates salary management. The Company's remuneration package consists of salary, restricted share units and annual bonus. A certain amount of annual bonus will be awarded to the employees annually based on the Company's operations and their performance to encourage them to create value to the Company by sharing the fruit of the Company's development. In addition, the Company implements 2021 restricted share unit scheme and 2022 restricted share unit scheme to reward the selected employees who made contribution to the growth and development of the Group, so as to further enhance the Company's cohesion, stimulate employees' creativity, improve employee benefits, and promote talent attraction and retention.





In addition to salary incentives, the Company also provides abundant and diversified fringe benefits to the employees:

Health benefits: The Company offers annual health examination to its employees, 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 2022, the Company also took out supplementary medical insurance policies for its employees, including major diseases insurance and accident insurance.

Work-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 marriage leave, maternity leave, parental leave, and parent care leave for only child; 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 gives birthday gifts to its employees, including commemorative gifts for the anniversary of induction, birthday blessing cards and cake coupons.

Cultural and sports activities: The Company has designated a fitness area to advocate healthy work-life balance, and encourages its employees to participate in various cultural and sports activities such as fun sports games and fun poker games, and also organises public welfare activities such as mountain hiking to collect garbage, and volunteer activities, to enrich the mental life of the employees.



Photo: Pantry in the operation office of the Company

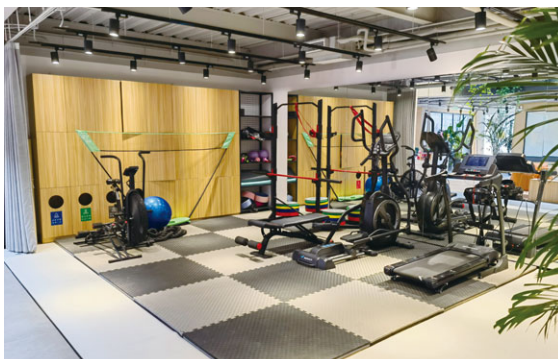


Photo: Fitness area in the Company



Photo: Fun sports game of the Company

12.2 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 Injury Insurance Regulations (《工傷保險條例》) as well as policies 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》), and puts efforts into identification of potential safety risks in a timely manner and the prevention of the occurrence of accidents. In addition, the Company established a variety of health and safety protection measures for its employees, such as arranging regular physical examinations for all employees every year, engaging a professional emotion management specialist to provide psychological counseling services to its employees, and arranging polymerase chain reaction (PCR) tests for all employees during the pandemic and regional home office in response to the situation of the pandemic and corresponding policies in order to safeguard the physical and mental health of all employees. 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: The emotion management specialist engaged by the Company provided psychological counseling services to its employees

12.2.1 Safety of the crew

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. 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 harmful gases and noise pollution so as to protect the physical and mental health of the crew;
- The COVID-19 Safety Clause is added to the contracts with some crew members who film episodes during the pandemic to ensure that relevant members of the cast and the filming team fulfill their individual responsibilities for pandemic prevention and control, and to ensure the safety of the crew and the orderly development of filming projects;



- Relevant personnel was delegated to monitor and manage the shooting site, ensure the 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, it was stipulated that all check-in staff members are not allowed to cook, use open flame, store or use high-power electrical appliances in their rooms. An authorised crew member will conduct ad hoc inspections. For anyone who ignores the warning and violates the above regulations, the authorised 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 was formulated to standardise 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 arranges 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 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 standardised 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;

- In the event of the occurrence of an accident, emergency rescue must immediately be arranged so as to minimise the accident loss and the leaders of the crew must be reported at once. The leaders 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.

12.2.2 *Fighting against COVID-19*

Since the outbreak of COVID-19, the Company has formulated a comprehensive pandemic prevention and control strategy, and pro-actively coordinated the pandemic prevention and control measures with the corporate development so as to protect the health and safety of its employees. During the regular prevention and control phase, the Company implemented the following pandemic protection measures in the office area and at the crew site:

- Establish a pandemic prevention and control leading group;
- Set up the emergency procedures for pandemic prevention and control;
- Check staff members' temperatures before they enter into the office building, and monitored the crew's health status every day;
- Disinfect the work areas twice every day;
- Provide free masks and hand sanitizer in multiple locations of the Company to encourage concomitant disinfection;
- Maintain good ventilation and hygienic conditions in the work areas and on the shooting sites.

In the new phase of pandemic prevention and control, and in response to the adjusted national pandemic prevention policy, the Company timely adjusted its response strategy and protective measures were taken as follows.

- Staff were offered flexible option to work remotely at home;
- Staff and crew members were given antigen detection kits for self-test;
- Additional off-days were offered as appropriate in addition to the original paid leaves provided by the Company to ensure its staff to have enough rest and good health.

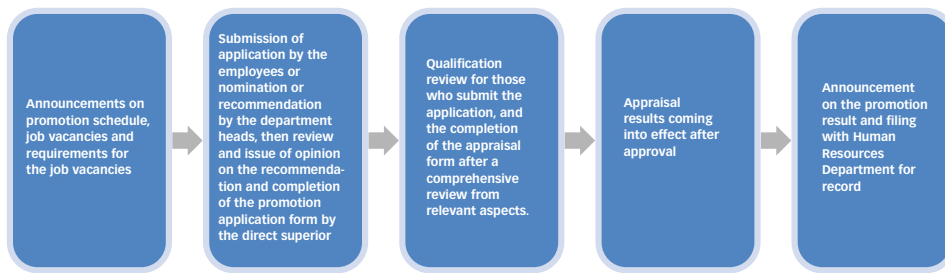




12.3 B3 Development and Training

12.3.1 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 incentivise its employees 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

12.3.2 Employee training

The Company has formulated a 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 specialised skills so as to enhance the Company’s core competitiveness. In 2022, the Company held special trainings on various topics including, among others, business and financial knowledge, and carried out ESG training for all staff members, which improved the professional knowledge of the employees in a multi-dimensional and all-round manner.

Environmental, Social and Governance Report



Photo: Training on financial knowledge



Photo: Training on business knowledge



Photo: Training on ESG knowledge



Photo: Training on unconscious bias management

Table: Information on Training on Employees of the Company in 2022

Indicator	Unit	2022	
Proportion of trained employees by rank	Decision leadership	%	100
	Senior management	%	100
	Middle management	%	100
	Junior employees	%	100
Proportion of trained employees by gender	Male employees	%	100
	Female employees	%	100
Average training hours per person by employee's rank	Decision leadership	Hour	12
	Senior management	Hour	12
	Middle management	Hour	12
	Junior employees	Hour	12
Average training hours per person by employee's gender	Male employees	Hour	12
	Female employees	Hour	12



12.4 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, no incidents of violation have occurred, including child labor and forced labor.

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 2022, the Company carefully prepared festival gifts and delivered blessings to employees on not only traditional festivals but also employees' birthdays, and held employee care activities after work. We attach importance to enhancing communication with employees, hold staff meetings regularly, effectively strengthen democratic participation, decision-making and communication between employees and management, and protect employees' rights to freedom of assembly and association.



Photo: The Company's 2022 annual staff meeting

12.5 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 the Management Measures for Suppliers and Procurement to standardise procurement and payment, taking precaution against operational risks and continuously optimising the supplier resources. 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. The main purpose 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. For the survey on new suppliers' overall capabilities, it involves, among others, basic industrial and commercial qualifications of new suppliers, their business scope, broadcast effect of their main products, their post-production service and price level. Only those who pass the survey can be included in the Qualified Supplier List. For the evaluation of existing suppliers, the Company focuses on examining past cooperation performance, including, among others, basic information on such existing suppliers, the cooperation term with the Company, the broadcast effect of their products, their post-production 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 pays attention to the performance of suppliers in environment, society and governance. 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.

12.5.1 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 environmental, social and governance 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.





12.5.2 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 clauses on anti-commercial bribery, anti-corruption and ethics, as appropriate. For example, in cooperation with the cast and core creative team, they 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.

12.5.3 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 prior violation of regulations so as to strengthen supplier risk management;
- Suppliers' performance on their obligations under contracts is tracked to improve 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 for business partners are provided to improve their capabilities, which covers policy planning, production process, safety production, protection of interests and rights so as to jointly improve the smoothness of cooperation.

12.5.4 Supplier tracking and feedback

- Annual performance assessments for its cooperative suppliers are carried out to formulate black and white lists.

Table: Suppliers of the Company in 2022

Indicator		Unit	2022
Number of suppliers by region	Total	Entity	198
	Eastern China	Entity	100
	Southern China	Entity	15
	Central China	Entity	1
	Northern China	Entity	63
	Northwestern China	Entity	9
	Southwestern China	Entity	10
	Northeastern China	Entity	0
	Hong Kong, Macao and Taiwan	Entity	0
	Overseas regions	Entity	0

12.6 B6 Product Responsibility

Film and television works are entertainment products screened and broadcast to the public, and thus the product responsibility assumed does not involve issues related to the health and safety of general public, nor does it involve product recall that may be adopted for general products. As the Company's understanding, its product responsibility of 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 promote the concept of sustainable development; ensure content output efficiency and product quality through digital transformation, and reduce the negative impact on the environment brought by the film shooting.

12.6.1 Films and drama series

12.6.1.1 Diversified and innovative content formats

The Company keeps accumulating and optimising its IP structure so as to create a content landscape with diversified segments. Its diversified genres cover teen drama, sweet idol drama, office drama, metropolitan emotion drama, family drama, comedy, history drama, period legend, etc.. The Company integrates high-quality industrial resources with its platform-based operating mode, constantly coordinates and balances the outputs of its drama series and the quality of content of such drama series, continuously dedicate itself to enhance the quality of its drams series, and persistently upholds integrity and innovation in order to create more high-quality drama series. In 2022, the Company produced five captivating drama series, namely *The Examination for Everyone* (大考) (a contemporary drama series); *The Forbidden Flower* (夏花) (a metropolitan romance drama series); *The Lost* (孤戰) (a modern revolution drama series); as well as *You are Desire* (白日夢我) and *Hello Beautiful Life* (心想事成) (both of which are youth romance drama series). Among them, *The Examination for Everyone* (大考) was broadcast in 2022, and *The Forbidden Flower* (夏花) and *Hello Beautiful Life* (心想事成) were broadcast at the beginning of 2023. During the Reporting Period, in addition to *The Examination for Everyone* (大考) (a realism drama), the Company's drama series broadcast also included *Thousand Years For You* (請君) (a period fantasy romance drama), *Song of the Moon* (月歌行) (a fantasy romance drama), *Unchained Love* (浮圖緣) (a period adventure and romance drama) and *The Bachelors* (追愛家族) (a metropolitan emotion drama), all of which have achieved good broadcast effect and market feedback. As of December 31, 2022, the Company reserved nine quality drama series to be broadcast and a number of drama series of various genres were under preparation. The drama series to be broadcast include *Legend of Bikini* (乘風踏浪) and *Never Give Up* (今日宜加油), both are comedy; *Never Too Late* (我的助理六十歲), a metropolitan office drama; and *You are Desire* (白日夢我), the first and new attempt of a youth romance drama.



In terms of creation of new content, *Thousand Years For You* (請君), which is a period fantasy romance drama series set in the Republican era, and *Hello Beautiful Life* (心想事成), which showcases the “new ethics”, “new images” and “new Beijing culture”, has demonstrated the Company’s continuous efforts on the creation of new plots.



Picture: the poster of *Thousand Years For You* (請君)



Picture: the poster of *Hello Beautiful Life* (心想事成)

During the Reporting Period, the Company closely followed the pace of the times and proactively put its focus on the production of mainstream themed drama so as to deliver intrinsically motivated values and positive social energy to the audience, and advocate the values of social equality, peace and justice. Among them, *The Examination for Everyone* (大考) tells the story from a new perspective of the college entrance examination under the pandemic, showing the help and care given by all sectors of society to the college entrance examination candidates who “were born in the years of SARS and took the college entrance examination in the years of COVID-19”, which fully demonstrates the vigorous and upward mentality in a new era. The drama series was repeatedly promoted as a key drama series at the project promotion meetings of the NRTA on “A Praise to the New Era, an Advance to a New Journey”, and was also included in the key drama series projects under the theme of “Welcoming the commencement of the Party’s 20th National Congress”. In addition, *The Forerunner* (前行者), a drama of the Company, was nominated for the Outstanding TV Series Award in the 33rd Chinese TV Series “Flying Apsaras Award”; *Inside Man* (局中人) won the Outstanding TV Series Award in the 36th “Jiangsu Province Literature and Arts Award”; *Thousand Years For You* (請君) was selected as one of the “2022 Online Audio-visual Excellent Programs” released by the Online Audio-visual Program Administration Division of the National Radio and Television Administration; and *Breath Of Destiny* (一起深呼吸) won the Second Prize in the 2021-2022 Jiangsu TV Series Awards.

In order to take full advantage of media and actively promote the concept of sustainable development, the Company is actively creating and developing ESG-related films and drama series, using the advantages of content dissemination to advocate to the general public the concept of sustainable development and harmony between human beings and nature.

12.6.1.2 Digital transformation

Internally, the Company has been comprehensively integrating its management system through the enterprise resource management platform (“ERP”), the office automation system (“OA”) and other information systems, and purchased a well-known domestic new generation office platform and financial management system, which fully integrated internal data and efficiently linked the organisation, the personnel and the business. Through digitalisation, the Company is committed to improving the orderliness and effectiveness of its management to ensure the quality of film and television products delivery.

In 2022, with regard to the application and innovation of digital technology in film and TV series production, the Company actively used special effects production technologies such as virtual filming and panoramic film scanning and, depending on the themes and genres of the film and TV series, the investment in relevant technology accounted for 10%-30% of the total cost of production. For example, the Company used panoramic film scanning technology to reproduce the two-floor structure of the Japanese Army’s biochemical gas research institute constructed for the filming of *The Lost* (孤戰). Such technology could not only produce diversified dynamic effect for the characters in the scenes of the drama to achieve perfect visual effect, but also be used in subsequent drama projects to achieve improvement of quality, increase of efficiency and reduction of the use of resources. The Company makes proper use of digital technology and actively practices the concept of green shooting.

12.6.2 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》) which strictly stipulates the patent rights, the 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 Centralised 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 efforts of the Company’s intellectual property protection and stimulating the employees’ enthusiasm on creativity. During the Reporting Period, the Company did not have any material disputes or cases involving infringement, content plagiarism and other issued involving intellectual property rights.

During the Reporting Period, the Company has a total of over 50 IP assets, over 20 of which are original screenplays and over 30 of which are adapted screenplays.



12.6.3 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 for Further Strengthening the Administration on Radio or Television Programmes and Online Audio-visual 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 Circular on Further Strengthening the Administration of Online Audiovisual Programmes Including Web Series and Micro Films (《關於進一步加強網絡劇、微電影等網絡視聽節目管理的通知》), the Notice about Upgrading the Information Filing System of the Internet Audiovisual Programmes (《關於網絡視聽節目信息備案系統升級的通知》) and the Supplemental Notice of Circular on Further Strengthening the Administration of Online Audiovisual Programmes Including Web Series and Micro Films (《關於進一步完善網絡劇、微電影等網絡視聽節目管理的補充通知》) 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 slogans and promotional slogans, the Company has 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 2022, the Company advertised and promoted several drama series including *The Examination for Everyone* (大考), *Thousand Years For You* (請君), *The Bachelors* (追愛家族), *Song of the Moon* (月歌行) and *Unchained Love* (浮圖緣), and other upcoming drama series. 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.

12.6.4 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 Personal Information Security Specification (《個人信息安全規範》) 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 standardise 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 study 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;

Environmental, Social and Governance Report

- 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;
- 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 operation and maintenance to standardise the Company's management and maintenance of information system and ensure the stable and 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 authority management system to ensure that only authorised users can access to the system and the server. It standardised the management of the business systems and infrastructure accounts and prevented any unauthorised access;
- Account management measures covering account setup, change of authority, denial of user access and cancellation of access authority 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 standardised 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 operative procedures to prevent misuse and ensure the continuity of its information system operation.





12.6.5 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. In November 2022, the Company was invited to take part in the 2022 China Nanjing Culture & Technology Integration Exhibition Achievement Fair (2022中國(南京)文化和科技融合成果展覽交易會); in December, the Company participated in the 2022 Yangtze River Delta High-Tech Audio-visual Expo (2022長三角高新視聽博覽會) and related activities of the sub-forum, and established a strategic cooperation with a leading domestic long video network platform for exclusive distribution on traditional media and held a signing ceremony at the Expo, creating a new mode of business cooperation between the long-video network platform and film and television producers.



Photo: the Company participated in the 2022 China Nanjing Culture & Technology Integration Exhibition Achievement Fair

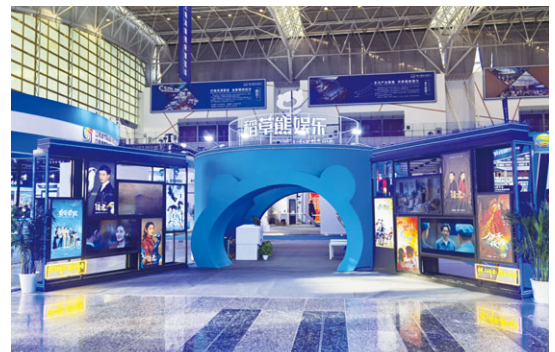


Photo: the Company participated in the 2022 Yangtze River Delta High-Tech Audio-visual Expo

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, as the Company is a platinum member of the Bo'ao Forum for Asia, Mr. Liu Xiaofeng, chairman of the Board and the chief executive officer, was invited to participate in the Private Entrepreneurs Dialogue at the Annual Conference 2022 of Bo'ao Forum for a discussion on ESG practice in business operation and shared the Company's practical experience in low-carbon operation with the guests.



Photo: the chairman and CEO participated in 2022 Bo'ao Forum

12.7 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 and integrity, which strengthens the regulation of employees' behavior. By provision of trainings on the laws, regulations and professional ethics, the Company strives to eliminate the occurrence of corruption, fraud and other immoral behavior, established a complaint and report mechanism, and opened a special complaint and report channel to receive complaints on any illegal activities of its employees, and keeps improving its risk management capabilities. During the Reporting Period, the Company did not have any lawsuits relating to bribery, fraud and money laundering.



12.7.1 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 organisation of the Company's antifraud efforts, and the Company's internal audit department is the Company's standing organisation 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.

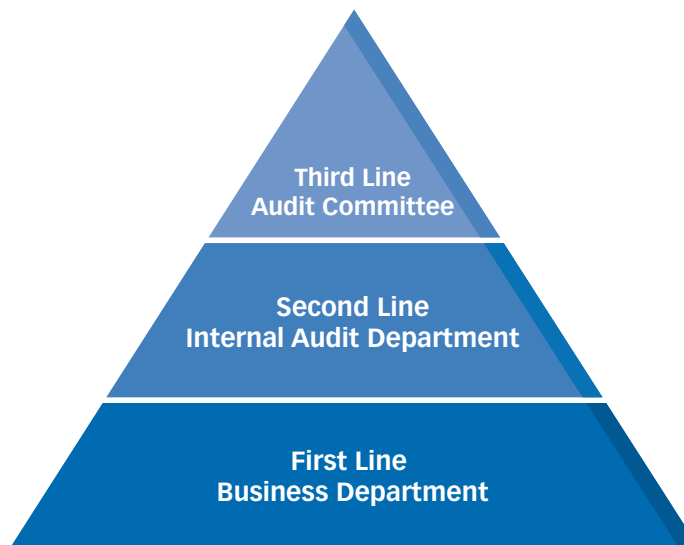
During the Reporting Period, the Company held one antifraud training session for all Directors and the entire staff.



Photo: the Company's antifraud training in 2022

12.7.2 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》), the Provisions on Anti-money Laundering of Financial Institutions (《金融機構反洗錢規定》), the Administrative Measures for Customer Identification of Financial Institutions and the Preservation of Customer Identity Data and Transaction Records (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》) and other laws and regulations, the Company has formulated its anti-money laundering management measures, and established the "Three lines of defense (LoD)" (三道防線) anti-money laundering management structure to promote all employees to 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.



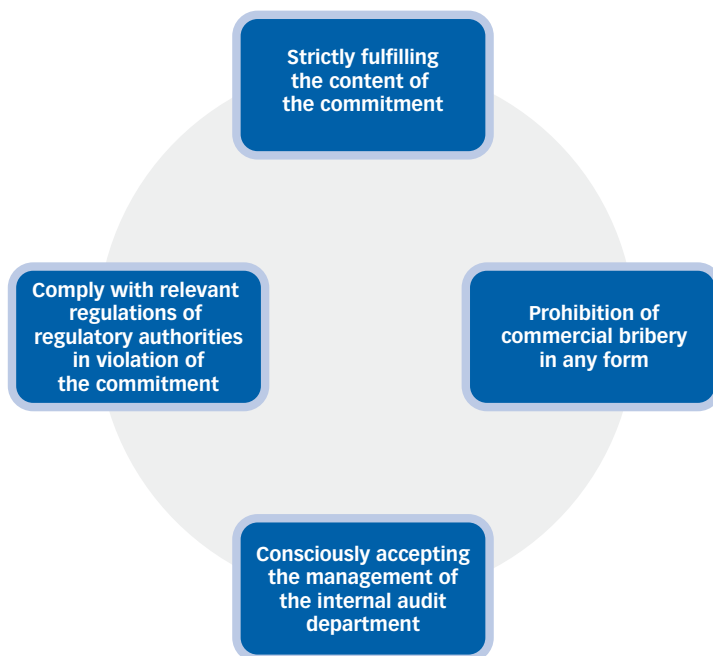
Picture: the Company's three defenses against money laundering





12.7.3 Anti-bribery

The Company has 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, as well as personnel, financial and material management processes. The commercial bribery prevention commitment system was put in place for personnel in key parts 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

12.8 B8 Community Investment

12.8.1 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 a 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, participation in pandemic prevention and control, and convey the power of love to the society.

Environmental, Social and Governance Report

As an active participant in the promotion of social welfare, the Company, leveraging on the advantage of the industry and of its own, is committed to giving back the society by holding various welfare and charity activities as part of its social responsibility and for the sake of social good, so as to jointly create a caring social environment. In 2022, the Company launched the “Sunflower Care Project” to provide public welfare assistance to a rehabilitation center for special children in Beijing by organizing employees to provide volunteer service for the non-governmental organisation, improving the children’s meal quality and their mental health.



Photo: the Company launched the 2022 annual volunteer activities for “Sunflower Care Project”

Table: Volunteer Service of the Company in 2022

Indicator	Unit	2022
Total hours of employees’ volunteer service	Hour	30
Number of employees participated in volunteer service	Person	4



12.8.2 Guidance with content

The Company strives to deliver intrinsically motivated values and positive social energy to audience through its captivating drama series, and to advocate the values of social equality, peace and justice. In 2022, against the backdrop of pandemic prevention and control, the Company actively thought up new plots for its drama that reflected social reality, and created and produced eye-catching works which not only reflected the distinctive characteristics of the times, but also were close to the lives of the public, spread positive energy and promoted the mainstream theme. *The Examination for Everyone* (大考), created and produced by the Company in collaboration with its partners, has aroused strong social resonance. The drama series themed around social hot topics during the period of the pandemic, showing the spirit of the new era where all walk of life and the general public jointed hands together to meet the challenge and helped each other. Drama series broadcasted in 2022 such as *Thousand Years For You* (請君), *Song of the Moon* (月歌行) and *Unchained Love* (浮圖緣) have become the most viewed drama series in the broadcast slot, portrayed to the audience stories about growth, responsibilities and love and promoted the spirit of great love. *The Bachelors* (追愛家族) told a story about family affection and love, and people who bravely pursued love and strove to move forward.

12.8.3 Community building

During the Reporting Period, the Company was committed to promoting the prosperity and communication of the artist community. The Company continued to expand and strengthen its partnership with outstanding talents and artists in the industry, enhanced the stickiness of the cooperation between the Company and outstanding artists through various means such as business/equity cooperation and equity incentives, and further attracted talents in the industry and outstanding artists to join the Company's content ecosystem to empower the production of high-quality and innovative content.

12.9 B9 Diversity of Audience of Films and Drama Series

As the top priority of its drama production, the Company has always put focus on the expansion of its audience base, promotion of innovative content, improvement of production quality and enhancement of social responsibility of its works. By data mining and data analysis, as well as the use of diversified communication platforms, the Company has been able to meet the individual needs of its audience and gained good publicity among various groups of audience. For example, *You are Desire* (白日夢我), a Company's youth romance drama series to be broadcasted, has realised its first collaboration with Mango TV, the targeted users of which are young, metropolitan and female population, and the Company has also become a strategic partner of Mango TV's 2023 "New Mango S Plan" (「新芒S計劃」). In addition, the Company attaches great importance to the application of online platforms and advanced technologies to precisely promote its films and drama series, thereby maximising its reach to the audience.

12.10 B10 Sustainable Consumer Relationship Management

The Company always believes the importance of the interaction between the drama series and its viewers, and maintains long-term relationship with the consumers through audience engagement. In particular, the Company has established various channels and used a number of platforms for the communication with the audience including the Company itself, brands, product information and feedbacks on drama series broadcasted. For example, viewers may give score for, and express their suggestions and opinions on, the drama series produced by the Company on the platforms. The Company will summarise the feedbacks gathered from the viewers in a transparent manner and send them to the drama series providers, thereby establishing a profound communication relationship with the audience. The Company managed the fans of its drama series through official marketing platforms to maintain a healthy interaction and relationship with them.





13 ESG PERFORMANCE

Indicator Category	Performance Indicator	Unit	2021	2022
Environmental Performance	Total hazardous waste generation	Tonnes	0.142	0.023
	Total non-hazardous waste generation	Tonnes	1.70	4.26
	GHG emissions (Scope 1, Scope 2)	Tonnes of CO ₂ e	51.74	44.89
	Total energy consumption	Tonnes of standard coal equivalent	16.43	12.90
Social Performance	Total water consumption	Tonnes	1650	1310
	Total number of employees	Person	55	65
	Total turnover rate of employees	%	7.3	16.9
	Percentage of employees trained	%	100	100
	Average training hour per employee	Hour	10	12
	Number of work-related fatalities	Person	0	0
	Total hours of employees' volunteer service	Hour	/	30
Governance Performance	Total number of suppliers	Entity	281	198
	Percentage of female directors in the Board	%	33.3%	33.3%
	Percentage of independent directors in the Board	%	33.3%	33.3%
	Number of general meetings held	Meeting	1	3
	Number of Board meetings held	Meeting	7	5





14 ESG INDICATOR INDEX

Section of the Report	Environmental, Social and Governance Reporting Guide Index	Contribution to UN SDGs
ABOUT THIS REPORT	/	/
SCOPE OF THE REPORT	/	/
BASIS OF PREPARATION	/	/
STATEMENT OF DATA SOURCES AND RELIABILITY	/	/
BOARD STATEMENT	/	/
RESPONSE TO THE ESG REPORTING PRINCIPLES OF THE STOCK EXCHANGE	/	/
ESG MANAGEMENT	/	/
ACTIVELY SUPPORTING SDGs	/	/
COMMUNICATION WITH STAKEHOLDERS	/	/
ANALYSIS OF MATERIAL ISSUES	/	/
A ENVIRONMENTAL RESPONSIBILITY		
A1 Emissions	A1.1, A1.2, A1.3, A1.4, A1.5, A1.6	
A2 Use of Resources	A2.1, A2.2, A2.3, A2.4, A2.5	
A3 The Environment and Natural Resources	A3.1	
A4 Climate Change	A4.1	

Environmental, Social and Governance Report

Section of the Report	Environmental, Social and Governance Reporting Guide Index	Contribution to UN SDGs
B SOCIAL		
B1 Employment	B1.1, B1.2	   
B2 Health and Safety	B2.1, B2.2, B2.3	
B3 Development and Training	B3.1, B3.2	
B4 Labor Standards	B4.1, B4.2	 
B5 Supply Chain Management	B5.1, B5.2, B5.3, B5.4	 
B6 Product Responsibility	B6.1, B6.2, B6.3, B6.4, B6.5	  
B7 Anti-corruption	B7.1, B7.2, B7.3	
B8 Community Investment	B8.1, B8.2	  
B9 Diversity of Audience for Films and Drama Series	/	/
B10 Sustainable Consumer Relationship Management	/	



DIRECTORS' REPORT



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) licensing 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, 2022, 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 relationship 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 2020, 2021 and 2022 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, 2022 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, 2022.

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, 2022, 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 244 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, 2022, the Group's sales to its five largest customers accounted for 99.62% of the Group's total revenue, and the Group's sales to its largest customer accounted for 76.00% of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2022, the Group's purchases from its five largest suppliers accounted for 45.51% of the Group's total purchases, and the Group's purchases from its largest supplier accounted for 18.53% of the Group's total purchases.

Except 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, Ms. Zeng Ying (resigned on April 19, 2022) and Ms. Liu Fan (each of Mr. Wang Xiaohui, Ms. Zeng Ying and Ms. Liu Fan is/was 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 2022 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, 2022 are set out in Note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Group in 2022 are set out on page 149 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As of December 31, 2022, the Company's reserves available for distribution amounted to approximately RMB1,291.9 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, 2022 are set out in Note 26 to the financial statements.

DIRECTORS

The Directors during the year ended December 31, 2022 and up to the date of this report are:

Executive Directors

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

Non-executive Directors

Mr. Wang Xiaohui
Ms. Zeng Ying (*resigned on April 19, 2022*)
Ms. Liu Fan (*appointed on April 19, 2022*)

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. Liu Xiaofeng, Mr. Wang Xiaohui and Mr. Zhang Senquan 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, except for Ms. Zeng Ying (resigned on April 19, 2022) and Ms. Liu Fan) has entered into a service contract or an appointment letter with the Company, under which they agreed to act as Directors for an initial term of three years commenced from the Listing Date or until the third annual general meeting of the Company after the Listing Date (whichever ends earlier), which may be terminated by not less than one month's notice in writing served by either the Director or the Company.

Ms. Zeng Ying (resigned on April 19, 2022) has entered into a letter of appointment with the Company, under which she agreed to act as a Director for an initial term of three years commenced from April 27, 2021 or until the third annual general meeting of the Company since the date of her appointment, whichever ends earlier (subject to retirement by rotation and re-election in accordance with the Articles of Association and the Listing Rules), until terminated in accordance with the terms and conditions of the appointment letter. Ms. Liu Fan has entered into a letter of appointment with the Company, under which she agreed to act as a Director for an initial term of three years commenced from April 19, 2022 or until the third annual general meeting of the Company since the date of her appointment, whichever ends earlier (subject to retirement by rotation and re-election in accordance with the Articles of Association and the Listing Rules), until terminated in accordance with the terms and conditions of the appointment letter.

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 POLICY

As of December 31, 2022, the Group had 65 employees. For the year ended December 31, 2022, total staff remuneration expenses (including Directors' remuneration) amounted to RMB41.1 million. 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. 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 employees of the Group typically enter into standard employment contracts with a confidentiality clause and non-compete 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 189 to 192 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, 2022, 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.

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, 2022, the interests or short position 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⁾	292,362,400	35,765,600	
	Interest held through voting powers entrusted by other persons ⁽³⁾	109,520,000		
		437,648,000		62.82%
Ms. Zhai	Founder of a discretionary trust ⁽⁴⁾	32,000,000		4.59%

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 Shares and underlying Shares of the Company (cont'd)

Notes:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as of December 31, 2022, being 696,629,400 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, 1,882,400 Shares were issued to Gorgeous Horizon upon the exercise of the Pre-IPO Share Options by Mr. Liu under the Pre-IPO Share Option Scheme. As of December 31, 2022, the number of Shares underlying the outstanding Pre-IPO Share Options held by Gorgeous Horizon is 35,765,600 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. Zhang	Beneficial owner	Jiangsu Strawbear	1.0%
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, 2022, 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, 2022 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 the information of Directors and chief executive of the Company since the publication of the 2022 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, 2022, 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	Approximate percentage of shareholding ⁽¹⁾
Master Sagittarius	Beneficiary of trust ⁽²⁾	328,128,000	47.10%
Master Genius	Interest in a controlled corporation ⁽²⁾	290,480,000	41.70%
Leading Glory	Beneficial interest ⁽²⁾⁽³⁾	290,480,000	41.70%
Gorgeous Horizon	Beneficial interest ⁽²⁾	37,648,000	5.40%
Success Tale	Interest in a controlled corporation ⁽²⁾	37,648,000	5.40%
Employee Trust Hong Kong	Trustee ⁽²⁾	37,648,000	5.40%
Ms. Liu	Founder of a discretionary trust ⁽⁴⁾	73,600,000	10.57%
Gold Pisces	Beneficiary of trust ⁽⁴⁾	73,600,000	10.57%
Beyond Vast	Interest in a controlled corporation ⁽⁴⁾	73,600,000	10.57%
Glesason Global	Beneficial interest ⁽⁴⁾	73,600,000	10.57%
Taurus Holding	Beneficial interest ⁽⁵⁾	97,320,000	13.97%
iQIYI	Interest in a controlled corporation ⁽⁵⁾	97,320,000	13.97%
Baidu Holdings Limited	Interest in a controlled corporation ⁽⁵⁾	97,320,000	13.97%
Baidu, Inc.	Interest in a controlled corporation ⁽⁵⁾	97,320,000	13.97%
Li Yanhong	Interest in a controlled corporation ⁽⁵⁾	97,320,000	13.97%
Family Trust Singapore	Trustee ⁽²⁾	290,480,000	
	Trustee ⁽⁴⁾	73,600,000	
	Trustee ⁽⁶⁾	32,000,000	
		396,080,000	56.86%

Notes:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as of December 31, 2022, being 696,629,400 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, 1,882,400 Shares were issued to Gorgeous Horizon upon the exercise of the Pre-IPO Share Options by Mr. Liu under the Pre-IPO Share Option Scheme. As of December 31, 2022, the number of Shares underlying the outstanding Pre-IPO Share Options held by Gorgeous Horizon is 35,765,600 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 89.3% by Baidu Holdings Limited, a wholly-owned subsidiary of Baidu, Inc. Baidu, Inc. is owned as to 57.6% 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, 2022, 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 5.40% 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, 2022	Exercise price (per Share)	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as of December 31, 2022
Mr. Liu	May 11, 2020	37,648,000 ⁽¹⁾	US\$0.000025	1,882,400 ⁽²⁾⁽³⁾	-	-	35,765,600

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 weighted average closing price of the Shares immediately before the date on which the 1,882,400 Pre-IPO Share Options were exercised (being May 12, 2022) was HK\$3.09.





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 8.7 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 2.96% 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 alia, (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 6 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. For details, please refer to the announcements of the Company dated November 4, 2021 and April 19, 2022.

As of the date of this report, the number of Shares underlying the outstanding RSUs granted under the 2021 RSU Scheme is 16,071,000 Shares, representing approximately 2.31% of the total number of Shares in issue.

The number of RSUs available for grant under the 2021 RSU Scheme was 3,859,010 as of January 1, 2022 and 192,010 as of December 31, 2022, 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 0.55%.

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, 2022	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, 2022
Employees	November 4, 2021	3,680,000	Note 2	HK\$2.47	1,664,000	-	368,000 ⁽²⁾	192,000	-	1,104,000
Service Providers	November 4, 2021	13,100,000	Note 3	HK\$2.47	13,100,000	-	-	-	-	13,100,000
	April 19, 2022	3,859,000	Note 4	HK\$4.03	-	3,859,000 ⁽³⁾	-	-	-	3,859,000

RSU SCHEMES (CONT'D)

2021 RSU Scheme (cont'd)

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

Notes:

- (1) All the RSUs were granted to the Grantees at nil consideration.
- (2) 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.
- (3) 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: 25% of the RSUs shall vest on January 1, 2024, January 1, 2025, 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.
- (4) 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 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; and
 - ii. in relation to 3,100,000 RSUs granted: one-third of the RSUs shall vest on May 1, 2024, May 1, 2025, and May 1, 2026, respectively.
- (5) With regard to the 3,859,000 RSUs granted to the Service Providers under the 2021 RSU Scheme during the Reporting Period, the fair value of the relevant RSUs was HK\$2.16 per Share, which was calculated based on the closing price of the Shares at the date of receipt of services after taking into account the effect of liquidity discounts during lock-up periods. According to the accounting standard and policy adopted by the Company, the fair value at the date of grant is not applicable to the RSUs granted to the Service Providers during the Reporting Period. 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.
- (6) The closing price of the Shares immediately before the dates on which the RSUs were vested was HK\$0.67 per Share.





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 9.3 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 2.99% 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 alia, (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 5,642,800 Shares, representing approximately 0.81% 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 December 31, 2022. The number of Shares underlying the RSUs granted under the 2022 RSU Scheme during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is 0.93%. In addition, the number of Shares underlying the RSUs granted under both the 2021 RSU Scheme and the 2022 RSU Scheme during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is 1.48%.

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	Fair value of RSUs and the accounting standard and policy adopted ⁽²⁾	Number of Shares underlying the RSUs outstanding as of January 1, 2022	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, 2022
Employees	April 28, 2022	6,141,000	Note 4	HK\$3.90	HK\$3.90	-	6,141,000	808,200 ⁽³⁾	-	-	5,332,800
Service Provider	November 14, 2022	310,000	Note 5	HK\$0.66	HK\$0.90	-	310,000	-	-	-	310,000

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 fair value of the RSUs granted to the employees of the Group under the 2022 RSU Scheme was calculated based on the closing price of the Shares at the date of grant after taking into account the effect of liquidity discounts during lock-up periods. The fair value of the RSUs granted to the Service Providers under the 2022 RSU Scheme was calculated based on the closing price of the Shares at the date of receipt of services after taking into account the effect of liquidity discounts during lock-up periods. According to the accounting standard and policy adopted by the Company, the fair value at the date of grant is not applicable to the RSUs granted to the Service Providers during the Reporting Period. 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.
- (3) The weighted average closing price of the Shares immediately before the dates on which the RSUs were vested is HK\$2.18.
- (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.

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, 2022.





CONNECTED TRANSACTIONS

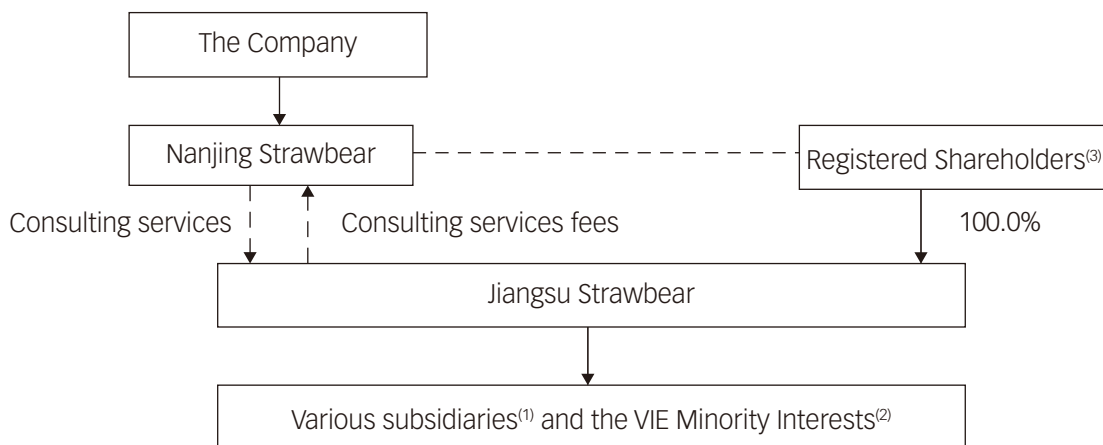
Pursuant to the requirements of the Listing Rules, the transactions between the Company and its connected persons constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Listing Rules. The followings are the non-exempt connected transactions 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 licenses 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 Licenses**”). 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. ("**Hainan Magic Stone**") (海南魔石影視傳媒有限公司), Hainan Yiming Cultural Media Technology Co., Ltd. ("**Hainan Yiming**") (海南翼鳴文化傳媒科技有限公司), Hainan Jiujun Audio-visual Communication Co., Ltd. ("**Hainan Jiujun**") (海南九珺視聽傳播有限公司), and Hainan Xuxuxing Cultural Media Technology Co., Ltd. ("**Hainan Xuxuxing**") (海南徐徐行文化傳媒科技有限公司), Hangzhou Yide, Beijing Hechuang Xinshi Culture Media Co., Ltd. ("**Hechuang Xinshi**") (北京合創新世文化傳媒有限公司), Sichuan Hongluzi Film Co., Ltd. ("**Sichuan Hongluzi**") (四川紅爐子影業有限公司), and Hangzhou Xiaobaiyang Film and Television Co., Ltd. ("**Hangzhou Xiaobaiyang**") (杭州小白楊影視有限公司). Hechuang Xinshi, Sichuan Hongluzi and Hangzhou Xiaobaiyang were all established in 2022. 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 3, 2023.
 - (2) These refer to the 15.0% equity interest in Wuxi Wuyi Cultural Media Co., Ltd. ("**Wuxi Wuyi**") (無錫無一文化傳媒有限公司), 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. Wuxi Wuyi was established by Jiangsu Strawbear in 2022. Nanjing Wuyi Cultural Media Co., Ltd. (南京無一文化傳媒有限公司) was deregistered on October 18, 2022 (the "**VIE Minority Interests**").
 - (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 licensing;
- providing human resource management services;
- providing financial support permitted under applicable PRC laws and regulations;
- other services reasonably requested by Jiangsu Strawbear and its controlled subsidiaries, permitted under applicable PRC laws and regulations.

The service fee 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 fee 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, 2022		As of December 31, 2022	
	Revenue	% of total revenue	Total assets	% of the total assets
Consolidated Affiliated Entities	673,566	68.67%	2,334,366	93.65%

(RMB in thousands, except percentages)

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 reviewed the Draft Foreign Investment Law, which was promulgated by the National People's Congress (the "NPC") 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 licenses, 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;
- (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, 2022, 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)

Partially-exempt Continuing Connected Transactions

Screenplays Development Framework Agreement

Summary of the Material Terms

On December 18, 2020, 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 screenplays development framework agreement (the "**Screenplays Development Framework Agreement**"), pursuant to which the Group shall adapt creative works including novels into screenplay and license the adaptation right and filming right related thereto to iQIYI in exchange for the screenplay development fee. The initial term of the Screenplays Development Framework Agreement commenced on the Listing Date and expired on December 31, 2022.

Reasons for the Transaction and Pricing Policies

Given the strong content production and distribution capabilities, the Group is able to attract well-known drama series screenwriters to develop screenplays for it. iQIYI is an innovative market-leading online entertainment service provider in China and produces popular, trend-setting original content, including drama series. It has massive demands for high-quality creative works which could in turn enhance its user experience and attract more customers to its online platforms. As such, the services provided to iQIYI under the Screenplays Development Framework Agreement are in the ordinary and usual course of the Group's business. The Group believes that, through entering into the Screenplays Development Framework Agreement, the creative works provided by the Group to iQIYI could be widely distributed through subsequent adaption thereof into films, television series and web series, thereby enhancing the popularity of the Group's content products and unleashing the monetisation potential of the Group's intellectual property. In addition, the terms offered by the Group to iQIYI under the existing underlying agreements are no more favorable than those offered to the Group's other customers which are Independent Third Parties, and it charges iQIYI screenplay development service fees with reference to the prevailing market price which is no less than those offered to its other independent customers, and various related commercial factors, hence the screenplay development services provided to iQIYI are profitable and are in the interests of the Group and its Shareholders as a whole.

The screenplay development fees the Groups charges iQIYI shall be determined after arm's length negotiation between the parties with reference to the prevailing market price and various related commercial factors, including the nature, popularity, quality and commercial potential of the relevant IPs.

Annual Caps and Historical Amounts during the Reporting Period

Pursuant to the Prospectus, the maximum total amount of fees receivable by the Group under the Screenplays Development Framework Agreement for the year ended December 31, 2022 should not exceed RMB3.0 million.

During the year ended December 31, 2022, the total amount of fees receivable under the Screenplays Development Framework Agreement amounted to nil, which falls within the proposed annual cap as set out above.





CONNECTED TRANSACTIONS (CONT'D)

Partially-exempt Continuing Connected Transactions (cont'd)

Screenplays Development Framework Agreement (cont'd)

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 Screenplays Development 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 transactions contemplated under the Screenplays Development Framework Agreement are, on an annual basis, more than 0.1% but less than 5%, such transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Other Non-exempt Continuing Connected Transactions

Summary of the Material Terms of the Continuing Connected Transaction Agreements

Made-to-order Drama Series Production Framework Agreement and 2022 Made-to-order Drama Series Production Framework Agreement

On December 18, 2020, 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 made-to-order drama series production framework agreement (the "**Made-to-order Drama Series Production Framework Agreement**"), pursuant to which the Group shall, among others, produce made-to-order drama series for iQIYI in exchange for production service fees payable by iQIYI. The initial term of the Made-to-order Drama Series Production Framework Agreement commenced on the Listing Date and expired on December 31, 2022.

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.

CONNECTED TRANSACTIONS (CONT'D)

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

Summary of the Material Terms of the Continuing Connected Transaction Agreements (cont'd)

Drama Series Copyrights Licensing Framework Agreement and 2022 Copyrights Licensing Framework Agreement

On December 18, 2020, 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 drama series copyrights licensing framework agreement (the **"Drama Series Copyrights Licensing Framework Agreement"**), pursuant to which the Group shall, among others, license the broadcasting rights and other copyrights, if applicable, of its self-produced drama series to iQIYI, and iQIYI shall pay licensing fees to the Group. The initial term of the Drama Series Copyrights Licensing Framework Agreement commenced on the Listing Date and expired on January 19, 2022.

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 licensing framework agreement (the **"2022 Copyrights Licensing Framework Agreement"**), pursuant to which, the Group shall license the copyrights (including but not limited to the broadcasting rights, information network transmission right and other copyrights) of the self-owned and licensed-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 licensing fees payable by iQIYI to the Group under the 2022 Copyrights Licensing Framework Agreement are RMB1,440 million for the year ended December 31, 2022, RMB1,840 million and RMB2,340 million for the years ending December 31, 2023 and 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.

Drama Series Broadcasting Rights Purchasing Framework Agreement and 2022 Drama Series Copyrights Purchasing Framework Agreement

On December 18, 2020, 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 drama series broadcasting rights purchasing framework agreement (the **"Drama Series Broadcasting Rights Purchasing Framework Agreement"**), pursuant to which iQIYI shall license to the Group the broadcasting rights of certain drama series, which the Group will further license to TV channels or third-party agents, and it shall pay licensing fees to iQIYI. The initial term of the Drama Series Broadcasting Rights Purchasing Framework Agreement commenced on the Listing Date and expired on December 31, 2022.

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 license the copyrights (including but not limited to broadcasting rights and/or distribution rights) of certain drama series to the Group, which will be further licensed to other broadcasting platforms, TV channels or third-party agents by the Group, and the Group shall pay licensing 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)

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

Summary of the Material Terms of the Continuing Connected Transaction Agreements (cont'd)

Distribution Revenue Sharing Framework Agreement

On December 18, 2020, 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 distribution revenue sharing framework agreement (the "**Distribution Revenue Sharing Framework Agreement**"), pursuant to which the Group shall share with iQIYI the revenue generated from the distribution of the made-to-order drama series produced by the Group for iQIYI. The initial term of the Distribution Revenue Sharing Framework Agreement commenced on the Listing Date and expired on December 31, 2022.

Reasons for the Transactions

Made-to-order Drama Series Production Framework Agreement and 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 licensed 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 Made-to-order Drama Series Production Framework Agreement and the 2022 Made-to-order Drama Series Production Framework are in the ordinary and usual course of the Group's business.

iQIYI has abundant capital capacity and massive user base. By entering into the Made-to-order Drama Series Production Framework Agreement and 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 Made-to-order Drama Series Production Framework Agreement and 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.

CONNECTED TRANSACTIONS (CONT'D)

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

Reasons for the Transactions (cont'd)

Drama Series Copyrights Licensing Framework Agreement and 2022 Copyrights Licensing Framework Agreement

The Group commenced producing its own drama series and films and licensing the related copyrights of the self-owned and licensed-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 licensing arrangements under the Drama Series Copyrights Licensing Framework Agreement and 2022 Copyrights Licensing Framework Agreement are in the ordinary and usual course of the business of the Group. In addition, entering into 2022 Copyrights Licensing 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 Drama Series Copyrights Licensing Framework Agreement and 2022 Copyrights Licensing 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 licensing arrangements under the Drama Series Copyrights Licensing Framework Agreement and 2022 Copyrights Licensing Framework Agreement are profitable and are in the interests of the Group and the Shareholders as a whole.

Drama Series Broadcasting Rights Purchasing Framework Agreement and 2022 Drama Series Copyrights Purchasing Framework Agreement

The Group commenced licensing 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 broadcasting rights of outright-purchased drama series under the Drama Series Broadcasting Rights Purchasing Framework Agreement and 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 Group's business. 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, hence the broadcasting rights purchasing arrangements under the Drama Series Broadcasting Rights Purchasing Framework Agreement and the copyrights purchasing arrangements under the 2022 Drama Series Copyrights Purchasing Framework Agreement are profitable and are in the interests of the Group and its Shareholders as a whole.

Distribution Revenue Sharing Framework Agreement

The business model of sharing of distribution revenue represents the Group's efforts to explore opportunities to further cooperate with online video platforms to diversify its monetisation methods by leveraging its strong distribution ability. Under this business model, the Groups brings in online video platforms at an early stage as either co-investors or copyright owners for whom it produces made-to-order drama series, and then distributes such drama series to TV channels. By doing so, the Group is entitled to the distribution rights of the relevant drama series for distribution to TV channels, from which it can share part of the distribution revenue of such drama series in addition to the production fees for these drama series. As such, the sharing of distribution revenue under the Distribution Revenue Sharing Framework Agreement is in the ordinary and usual course of the Group's business and is profitable and in the interests of the Group and the Shareholders as a whole.



CONNECTED TRANSACTIONS (CONT'D)

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

Pricing Policies

Made-to-order Drama Series Production Framework Agreement and 2022 Made-to-order Drama Series Production Framework Agreement

The Group primarily charges iQIYI a pre-determined fixed fee under the Made-to-order Drama Series Production Framework Agreement based on negotiations between the parties on a cost-plus basis taking into consideration its target profit margin for the production services it provides and with reference to the prevailing market price and various commercial factors, including the nature, popularity, quantity, quality and commercial potential of target made-to-order drama series. In addition, the Group is also entitled to an advertising commission for bringing in advertisers calculated as a percentage of the advertising revenue derived from the underlying drama series as specified in the relevant agreement. The aforesaid pricing policies are no more favorable than those available to the Group's other independent customers.

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.

Drama Series Copyrights Licensing Framework Agreement and 2022 Copyrights Licensing Framework Agreement

The licensing fees the Group charges iQIYI under the Drama Series Copyrights Licensing Framework Agreement shall be determined after arm's length negotiation between the parties with reference to the prevailing market price and various commercial factors, including the total investment amount, scope of license and exclusivity, the broadcasting schedules (first-run or re-run broadcast and the broadcasting time slot), the expected popularity and target audience base of drama series, as well as the target profit margin of the Group. The aforesaid pricing policies are no more favorable than those available to the Group's other independent customers.

The licensing fees payable by iQIYI to the Group under the 2022 Copyrights Licensing Framework Agreement will be determined based on (i) fixed amount of licensing 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 Licensing Framework Agreement, please refer to the announcement of the Company dated December 2, 2021 and the circular of the Company dated January 4, 2022.

CONNECTED TRANSACTIONS (CONT'D)

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

Pricing Policies (cont'd)

Drama Series Broadcasting Rights Purchasing Framework Agreement and 2022 Drama Series Copyrights Purchasing Framework Agreement

The licensing fees iQIYI charges the Group under the Drama Series Broadcasting Rights Purchasing Framework Agreement shall be determined after arm's length negotiation between the parties with reference to the prevailing market price and various commercial factors, including the broadcasting schedules (first-run or re-run broadcast and the broadcasting time slot), the expected popularity and target audience base of drama series, as well as the target profit margin of iQIYI. The aforesaid pricing policies are no less favorable than those provided by the Group's other independent suppliers.

The licensing 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 licensing the copyrights of such drama series to other broadcasting platforms, TV channels or third-party agents), the licensing fees payable by the Group to iQIYI will be determined based on the below formula:

Licensing 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 licensing fees to iQIYI), the licensing fees payable by the Group to iQIYI will be determined based on the below formula:

Licensing 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.

Distribution Revenue Sharing Framework Agreement

The revenue sharing ratio shall be determined after arm's length negotiation between the parties with reference to the prevailing market price, target distribution channels and various related commercial factors, including the popularity, number of episodes, quality and commercial potential of the drama series.





CONNECTED TRANSACTIONS (CONT'D)

Other 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, 2022 are set out below:

	For the year ended December 31, 2022	
	Proposed annual cap (RMB in millions)	Historical amount (RMB in millions)
Total amount of fees receivable under the Made-to-order Drama Series Production Framework Agreement	1,300.0	495.9
Total amount of fees receivable under the 2022 Copyrights Licensing Framework Agreement	1,440.0	249.5
Total amount of fees payable under the Drama Series Broadcasting Rights Purchasing Framework Agreement	116.0	19.7
Total amount of fees payable under the Distribution Revenue Sharing Framework Agreement	45.0	0.03

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 Made-to-order Drama Series Production Framework Agreement, the 2022 Made-to-order Drama Series Production Framework Agreement, the Drama Series Copyrights Licensing Framework Agreement, the 2022 Copyrights Licensing Framework Agreement, the Drama Series Broadcasting Rights Purchasing Framework Agreement, the 2022 Drama Series Copyrights Purchasing Framework Agreement and the Distribution Revenue Sharing 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)

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, 2022, there is no other related party transaction or continuing related party transaction set out in Note 33 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, 2022. No new business opportunity was informed by them as of December 31, 2022.

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, 2022.

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 33 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 or subsisted at any time during the year ended December 31, 2022.

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 no charitable and other donations.

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 122 to 140 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, 2022.

AUDITOR

The Company has appointed Ernst & Young as the auditor of the Company for the year ended December 31, 2022. 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 27, 2023

CORPORATE GOVERNANCE REPORT

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 14 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 14 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 4 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

Mr. Chen Chen

Ms. Zhai Fang

Non-executive Directors

Mr. Wang Xiaohui

Ms. Zeng Ying (*resigned on April 19, 2022*)

Ms. Liu Fan (*appointed on April 19, 2022*)

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, except for Ms. Zeng Ying (resigned on April 19, 2022) and Ms. Liu Fan) has entered into a service contract or an appointment letter with the Company, under which they agreed to act as Directors for an initial term of three years commenced from the Listing Date or until the third annual general meeting of the Company after the Listing Date (whichever ends earlier), which may be terminated by not less than one month's notice in writing served by either the Director or the Company. Ms. Zeng Ying has entered into a letter of appointment with the Company, under which she agreed to act as a Director for an initial term of three years commenced from April 27, 2021 or until the third annual general meeting of the Company since the date of her appointment, whichever ends earlier (subject to retirement by rotation and re-election in accordance with the Articles of Association and the Listing Rules), until terminated in accordance with the terms and conditions of the appointment letter. Ms. Liu Fan has entered into a letter of appointment with the Company, under which she agreed to act as a Director for an initial term of three years commenced from April 19, 2022 or until the third annual general meeting of the Company since the date of her appointment, whichever ends earlier (subject to retirement by rotation and re-election in accordance with the Articles of Association and the Listing Rules), until terminated in accordance with the terms and conditions of the appointment letter.

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. Liu Xiaofeng, Mr. Wang Xiaohui and Mr. Zhang Senquan 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, 2022 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, 2022 are set out below:

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

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 (<i>Chairman</i>)	(1)&(2)
Ms. Zhang Qiuchen	(1)&(2)
Mr. Chen Chen	(1)&(2)
Ms. Zhai Fang	(1)&(2)
Non-executive Directors	
Mr. Wang Xiaohui	(1)&(2)
Ms. Zeng Ying (<i>resigned on April 19, 2022</i>)	(1)&(2)
Ms. Liu Fan (<i>appointed on April 19, 2022</i>)	(1)&(2)
Independent Non-executive Directors	
Mr. Zhang Senquan	(1)&(2)
Mr. Ma Zhongjun	(1)&(2)
Mr. Chung Chong Sun	(1)&(2)

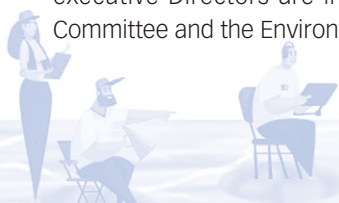
Notes:

- (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 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 nine Directors, consisting of four executive Directors (including Mr. Liu Xiaofeng, Ms. Zhang Qiuchen, 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 four 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 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, three are female Directors (representing 33.3% 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, 2022. As of the date of this report, 55.4% 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.

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. Ms. Zeng Ying used to be a member of Audit Committee and she resigned on April 19, 2022 while Ms. Liu Fan was appointed on April 19, 2022.

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 4 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, 2021 and the audit plan for the year ended December 31, 2022, the audited consolidated financial statements of the Group for the year ended December 31, 2021, the unaudited consolidated financial statements of the Group for the six months ended June 30, 2022, 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 three times with the external auditor during the year ended December 31, 2022.

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

Name of Directors	Attended/Eligible to attend
Mr. Zhang Senquan (<i>Chairman</i>)	4/4
Ms. Zeng Ying (<i>resigned on April 19, 2022</i>)	2/2
Ms. Liu Fan (<i>appointed on April 19, 2022</i>)	2/2
Mr. Chung Chong Sun	4/4





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 3 meetings, which were attended by all members of the Remuneration Committee, and reviewed, among other things, the adjustment of remuneration packages of the executive Directors, 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 (<i>Chairman</i>)	3/3
Mr. Liu Xiaofeng	3/3
Mr. Chung Chong Sun	3/3

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 2 meetings, which were 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 (<i>Chairman</i>)	2/2
Mr. Liu Xiaofeng	2/2
Mr. Chung Chong Sun	2/2

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 27 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 matters, 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 (<i>Chairman</i>)	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 5 meetings, and considered, among other things, (i) the 2021 annual results and annual report; (ii) proposed amendments to the Articles of Association; (iii) change of joint company secretary, authorised representative and process agent of the Company; (iv) establishment of the Environmental, Social and Governance Committee and appointment of Environmental, Social and Governance Committee members; (v) grant of RSUs under the 2021 RSU Scheme; (vi) adoption of the 2022 RSU Scheme and grant of RSUs under the 2022 RSU Scheme; (vii) the 2022 interim results and interim report; and (viii) renewal of continuing connected transactions. One Board meeting was held on March 24, 2023, 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, 2022.





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 (<i>Chairman</i>)	5/5	3/3
Ms. Zhang Qiuchen	5/5	3/3
Mr. Chen Chen	5/5	3/3
Ms. Zhai Fang	5/5	3/3
Non-executive Directors		
Mr. Wang Xiaohui	3/5	2/3
Ms. Zeng Ying (<i>resigned on April 19, 2022</i>) ⁽¹⁾	2/2	1/1
Ms. Liu Fan (<i>appointed on April 19, 2022</i>)	2/3	1/2
Independent Non-executive Directors		
Mr. Zhang Senquan	5/5	3/3
Mr. Ma Zhongjun	5/5	3/3
Mr. Chung Chong Sun	5/5	3/3

Note:

- (1) Ms. Zeng Ying resigned as a non-executive Director, and ceased to be a member of the Audit Committee with effect from April 19, 2022 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 including 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, 2022.

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 141 to 145 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, Ernst & Young, for the year ended December 31, 2022, is set out below:

Type of Services	Amount (RMB)
Audit services	2,800,000
Non-audit services (including tax consultation, financial due diligence and ESG consultation)	403,000
Total	3,203,000

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, 2022 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 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 Mr. Wong Keith Shing Cheung (resigned on March 25, 2022) and Ms. Zhang Xiao (since March 25, 2022, who is 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. Ms. Zhang Xiao was appointed as the joint company secretary of the Company in replacement of Mr. Wong Keith Shing Cheung with effect from March 25, 2022. For details, please refer to the announcement of the Company dated March 25, 2022.

Corporate Governance Report

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 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, 2022, Ms. Zhai and Ms. Zhang Xiao were fully in compliance with the Rule 3.29 of the Listing Rules as Ms. Zhai 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 Mechanism took effect on December 28, 2022.

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 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, 2022.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted the Articles of Association on December 18, 2020, which has been effective from the Listing Date. In order to conform to the core shareholder protection standards as set out in the amended Appendix 3 to the Listing Rules, which took effect on January 1, 2022, the Board has resolved at a meeting held on March 25, 2022 to propose to make certain amendments to the Articles of Association. The said proposed amendments were considered and approved by the Shareholders at the annual general meeting of the Company held on June 9, 2022 by way of a special resolution. For details, please refer to the announcement of the Company dated March 25, 2022, the circular of the Company dated April 27, 2022 and the poll results announcement of the Company dated June 9, 2022.

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
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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 146 to 243, which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

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 2022, 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.

Independent Auditor's Report

To the shareholders of Strawbear Entertainment Group
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONT'D)

Key audit matter	How our audit addressed the key audit matter
<p><i>Amortisation of inventories</i></p> <p>During the year ended 31 December 2022, the amounts of inventories recognised as costs of sales amounted to RMB761,170,000. The amortisation of inventories of drama series is determined by estimating the consumption of resources based on the revenue forecast of the respective drama series and with reference to the consumption pattern of similar drama series. This involves management's estimation of the remaining ultimate revenues for the rest of the life cycle of the respective drama series.</p> <p>In estimating the total estimated revenue, management takes into account the genre of the drama series, the production costs, the ranges of prices of similar drama series in the market and the historical purchase prices of similar drama services of potential customers.</p> <p>The Group's disclosures about the amortisation of inventories are included in notes 2.4 and 3 to the financial statements.</p>	<p>We obtained an understanding of the process of amortisation of inventories and tested management's internal controls over the process. We assessed the accounting policy of the Group in respect of the amortisation of inventories including benchmarking the policy against industry practice. We checked the number of episodes of each drama series in the estimated revenue calculation list provided by management to that on the license for distribution of each drama series issued by the relevant authorities. We evaluated the Group's assessment of the estimated selling prices of drama series by reference to past experience and historical selling prices for similar types of drama series and checked to the subsequent selling prices, if any. We reviewed management's estimated revenue calculation list for the drama series as at 31 December 2022 and performed the recalculation of management's estimated revenue for each drama series.</p>



KEY AUDIT MATTERS (CONT'D)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment testing of goodwill</i>	
<p>The carrying amount of goodwill at 31 December 2022 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.</p> <p>The Group's disclosures about the impairment testing of goodwill are included in notes 2.4, 3 and 15 to the financial statements.</p>	<p>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.</p>

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.

Independent Auditor's Report

To the shareholders of Strawbear Entertainment Group
(Incorporated in the Cayman Islands with limited liability)

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 HKSAAs 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 HKSAAs, 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.



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the 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

24 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	980,923	1,703,064
Cost of sales		(761,170)	(1,186,879)
Gross profit		219,753	516,185
Other income and gains	5	33,889	44,145
Selling and distribution expenses		(48,309)	(227,353)
Administrative expenses		(65,432)	(56,578)
Impairment of financial assets, net	6	(39,166)	(6,460)
Other expenses		(888)	(1,235)
Finance costs	7	(17,329)	(22,008)
Share of profits and losses of:			
Joint ventures	17	(4,357)	1,904
Associates	18	(225)	(831)
Changes in fair value of financial liabilities at fair value through profit or loss		–	(1,610)
PROFIT BEFORE TAX	6	77,936	246,159
Income tax expense	10	(27,929)	(76,781)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		50,007	169,378
Attributable to:			
Owners of the parent		50,933	169,249
Non-controlling interests		(926)	129
		50,007	169,378
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	12	7.5 cents	25.1 cents
Diluted (RMB)	12	7.3 cents	24.2 cents



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022



	<i>Notes</i>	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,408	2,898
Right-of-use assets	14(a)	6,160	7,828
Goodwill	15	108,341	108,341
Other intangible assets	16	11	14,514
Investments in joint ventures	17	1,312	5,532
Investments in associates	18	7,197	6,037
Deferred tax assets	27	6,943	5,716
Total non-current assets		134,372	150,866
CURRENT ASSETS			
Inventories	19	1,109,433	1,100,009
Trade and notes receivables	20	545,355	802,959
Prepayments, other receivables and other assets	21	379,259	363,208
Due from a joint venture	33(b)	–	29,590
Financial assets at fair value through profit or loss	22	11,402	–
Restricted cash	23	43,200	–
Pledged deposits	23	61,493	91,139
Cash and cash equivalents	23	208,049	302,796
Total current assets		2,358,191	2,689,701
CURRENT LIABILITIES			
Trade payables	24	215,307	256,828
Other payables and accruals	25	158,177	454,569
Interest-bearing bank and other borrowings	26	275,973	278,341
Lease liabilities	14(b)	3,051	3,302
Tax payable		9,264	15,893
Dividend payable		–	48,000
Total current liabilities		661,772	1,056,933
NET CURRENT ASSETS		1,696,419	1,632,768
TOTAL ASSETS LESS CURRENT LIABILITIES		1,830,791	1,783,634

Consolidated Statement of Financial Position

31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	2,248	3,889
Deferred tax liabilities	27	2,937	6,513
Total non-current liabilities		5,185	10,402
Net assets		1,825,606	1,773,232
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	113	112
Treasury shares	28	(42,651)	(17,053)
Reserves	29	1,869,170	1,790,273
		1,826,632	1,773,332
Non-controlling interests		(1,026)	(100)
Total equity		1,825,606	1,773,232

Mr. Liu Xiaofeng
Director

Mr. Chen Chen
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022



	Attributable to owners of the parent									
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Treasury shares	Share award and option reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	-	-	10,097	13,320	-	52,680	147,610	223,707	930	224,637
Total comprehensive income for the year	-	-	-	-	-	-	169,249	169,249	129	169,378
Issue of shares from initial public offering	95	933,365	-	-	-	-	-	933,460	-	933,460
Share issue expenses	-	(32,913)	-	-	-	-	-	(32,913)	-	(32,913)
Issue of shares for the restricted share unit scheme ("RSU Scheme")	1	-	(1)	-	(1)	-	-	(1)	-	(1)
Conversion of preferred shares to ordinary shares	16	477,022	-	-	-	-	-	477,038	-	477,038
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(1,159)	(1,159)
Equity-settled share award and option arrangements	-	-	-	-	-	22,173	-	22,173	-	22,173
Repurchase of shares	-	-	-	-	(19,381)	-	-	(19,381)	-	(19,381)
Restricted share units vested	-	(2,329)	-	-	2,329	-	-	-	-	-
At 31 December 2021	112	1,375,145*	10,096*	13,320*	(17,053)	74,853*	316,859*	1,773,332	(100)	1,773,232

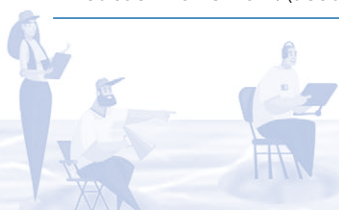
	Attributable to owners of the parent									
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Treasury shares	Share award and option reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000	RMB'000	RMB'000	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

* These reserve accounts comprise the consolidated other reserves of RMB1,869,170,000 (2021: RMB1,790,273,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		77,936	246,159
Adjustments for:			
Depreciation of property, plant and equipment	13	1,133	3,307
Depreciation of right-of-use assets	14(a)	3,502	2,603
Amortisation of other intangible assets	16	14,503	1,574
Interest income from loans receivable		(7,092)	(3,222)
Interest income from amount due from a joint venture		(1,438)	(840)
Share of profits and losses of joint ventures	17	4,357	(1,904)
Share of losses of associates	18	225	831
Finance costs	7	17,329	22,008
Equity-settled share award and option expenses		23,555	21,424
Changes in fair value of financial assets and liabilities at fair value through profit or loss		(188)	1,610
Net foreign exchange differences		(832)	(6,860)
Investment income from financial assets at fair value through profit or loss		–	(19)
Gain on disposal of items of property, plant and equipment		–	(542)
Loss on disposal of an associate	18	53	–
Loss on disposal of a joint venture		–	1,133
Gain on disposal of subsidiaries		–	(721)
Gain on lease termination		–	(60)
Write-down/(reversal of write-down) of inventories to net realisable value		6,139	(13,820)
Impairment of financial assets, net		39,166	6,460
		178,348	279,121
Increase in inventories		(10,199)	(228,412)
Decrease/(increase) in trade and notes receivables		252,007	(393,696)
Decrease/(increase) in prepayments, other receivables and other assets		68,467	(108,929)
Increase in financial assets at fair value through profit or loss		(11,214)	–
(Increase)/decrease in restricted cash		(43,200)	2,319
(Decrease)/increase in trade payables		(41,521)	19,948
Decrease in other payables and accruals		(265,050)	(119,003)
Cash generated from/(used in) operations		127,638	(548,652)
Income tax paid		(52,280)	(50,647)
Net cash flows from/(used in) operating activities		75,358	(599,299)



Consolidated Statement of Cash Flows

Year ended 31 December 2022



	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Net cash flows from/(used in) operating activities		75,358	(599,299)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(2,987)	(1,824)
Proceeds from disposal of items of property, plant and equipment		–	1,420
Interest received from loans receivable		1,853	8,578
Purchase of financial assets at fair value through profit or loss		–	(23,000)
Proceeds from disposal of financial assets at fair value through profit or loss		–	23,000
Investment income from financial assets at fair value through profit or loss		–	19
Acquisition of a subsidiary		(16,000)	–
Purchase of shareholding of an associate		(750)	(4,545)
Purchase of shareholding of joint ventures		–	(3,560)
Advances of loan to a joint venture		–	(28,750)
Advances of loans to third parties		(132,000)	(82,000)
Repayment of advances of loans to third parties		58,000	65,600
Disposal of a joint venture		–	14,000
Disposal of subsidiaries		1,000	(3,232)
Decrease/(increase) in pledged deposits		29,646	(61,139)
Net cash flows used in investing activities		(61,238)	(95,433)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		1	–
Proceeds from initial public offering		–	933,460
Share issue expenses		(2,793)	(25,497)
New bank loans		300,500	288,700
Proceeds from borrowings from third parties		3,000	39,000
Repayment of bank loans		(277,600)	(175,000)
Repayment of borrowings from third parties		(28,000)	(11,000)
Repayment of amount due from a joint venture		–	(74,996)
Dividend paid		(60,000)	(40,000)
Interest paid		(13,141)	(10,903)
Repurchase of shares	28	(28,128)	(19,381)
Principal portion of lease payments	31(b)	(3,726)	(2,784)
Net cash flows (used in)/from financing activities		(109,887)	901,599

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	<i>Note</i>	2022 RMB'000	2021 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(95,767)	206,867
Effect of foreign exchange rate changes, net		1,020	331
Cash and cash equivalents at beginning of year		302,796	95,598
CASH AND CASH EQUIVALENTS AT END OF YEAR		208,049	302,796
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	208,049	302,796
Cash and cash equivalents as stated in the consolidated statement of cash flows and consolidated statement of financial position		208,049	302,796



NOTES TO THE FINANCIAL STATEMENTS

31 December 2022



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.

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

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 ”)/ Mainland China 17 September 2018	US\$1,000,000	–	100%	Investment holding
Shanghai Strawbear Business Consulting Co., Ltd. (“ Shanghai Strawbear ”) (上海稻草熊商務諮詢有限公司)* (note (a))	PRC/Mainland China 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/Mainland China 13 June 2014	RMB10,000,000	–	100%	Investment in production, distribution and licensing of broadcasting rights of drama series

Notes to the Financial Statements

31 December 2022

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") (霍尔果斯稻草熊影业有限公司)* (note (b) (c))	PRC/Mainland China 4 August 2016	RMB3,000,000	–	100%	Investment in production, distribution and licensing of broadcasting rights of drama series
Beijing Strawbear Film Co., Ltd. ("Beijing Strawbear") (北京稻草熊影业有限公司)* (note (b) (c))	PRC/Mainland China 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") (杭州懿德文化创意有限公司)* (note (b))	PRC/Mainland China 25 June 2015	RMB12,500,000	–	100%	Engagement in the business of literature copyright agency and development
Wuxi Strawbear Cultural Media Co., Ltd. ("Wuxi Strawbear") (无锡稻草熊文化传媒集团有限公司)* (note (b))	PRC/Mainland China 4 June 2020	RMB1,000,000	–	60%	Screenplay development and assessment
Hainan Yiming Culture Media Technology Co., Ltd. ("Hainan Yiming") (海南翼鸣文化传媒科技有限公司)* (note (b) (c))	PRC/Mainland China 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") (海南徐徐文化传媒科技有限公司)* (note (b) (c))	PRC/Mainland China 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		Principal activities
			Direct	Indirect	
Hainan Magic Stone Film and Television Media Co., Ltd. ("Hainan Magic Stone") (海南魔石影視傳媒有限公司)* (note (b) (c))	PRC/Mainland China 23 April 2021	RMB3,000,000	–	100%	Investment in production, distribution and licensing of broadcasting rights of drama series
Hangzhou Xiaobaiyang Film and Television Co., Ltd. ("Hangzhou Xiaobaiyang") (杭州小白楊影視有限公司)* (note (b) (c))	PRC/Mainland China 23 September 2022	RMB5,000,000	–	55%	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) Due to regulatory prohibitions on foreign ownership in the production, distribution and licensing of broadcasting rights of drama series business in the PRC, the principal business carried out by Jiangsu Strawbear, Horgos Strawbear, Beijing Strawbear, Hainan Magic Stone, Hainan Jiujun, Hainan Yiming, Hainan Xuxuxing and Hangzhou Xiaobaiyang (the "**Consolidated Affiliated Entities**") was prohibited or restricted from foreign ownership. The wholly-owned subsidiary of the Company, Nanjing Strawbear, has entered into a series of contractual arrangements (the "**Contractual Arrangements**") with the Consolidated Affiliated Entities and their respective equity holders (hereafter the equity holders of the Consolidated Affiliated Entities referred to as the "**Registered Shareholders**"). The Contractual Arrangements enable Nanjing Strawbear to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries and consolidated the assets, liabilities and results of operations of the Consolidated Affiliated Entities in the financial statements of the Group. These entities are owned through Contractual Arrangements.
- * These entities are limited liability enterprises established under the PRC law. The English names of these entities registered in the PRC represent the best efforts made by management of the Company to directly translate their Chinese names as they did not register any official English names.

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.

2.1 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**”), accounting principles generally accepted in Hong Kong 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 2022. 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).

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

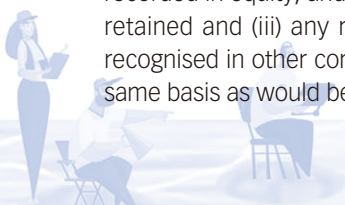
- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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





2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, 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)

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1, 5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{2, 4}
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

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

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, 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

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17





2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) 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 between an investor and its associate or joint venture 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 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to 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. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

Amendments to HKAS 1 *Disclosure of Accounting Policies* 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

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. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 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. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.





2.4 SUMMARY OF SIGNIFICANT 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 is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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 SUMMARY OF SIGNIFICANT 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 that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable 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 SUMMARY OF SIGNIFICANT 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an 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 SUMMARY OF SIGNIFICANT 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 SUMMARY OF SIGNIFICANT 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%
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 represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.





2.4 SUMMARY OF SIGNIFICANT 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.

Patents

Patents are stated at cost less any impairment loss and are amortised on the straight-line basis over their estimated useful lives of 8 years, which is determined based on weighted average legal registered periods of patents after considering the expected usage, technical obsolescence and estimates of useful lives of similar assets.

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

Office premises	2 to 5 years
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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 SUMMARY OF SIGNIFICANT 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.

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

Subsequent measurement

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

Financial assets at 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 SUMMARY OF SIGNIFICANT 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 SUMMARY OF SIGNIFICANT 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. Debt investments graded in the top investment categories (Very Good and Good) by the Moody’s Credit Rating Agency are considered to be low credit risk 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. The Group uses the ratings from the Moody’s Credit Rating Agency both to determine whether the debt instruments have significantly increased in credit risk and to estimate ECLs.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as 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, dividend payable and interest-bearing bank and other borrowings.

Subsequent measurement

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





2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities (cont'd)

Financial liabilities at amortised cost (loans and borrowings)

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

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

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

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





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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each 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 SUMMARY OF SIGNIFICANT 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 SUMMARY OF SIGNIFICANT 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 and production of made-to-order 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 SUMMARY OF SIGNIFICANT 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 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) and non-employees of the Group receive remuneration in the form of share-based payments, whereby 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.

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.





2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Share-based payments (cont'd)

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 schemes

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

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

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

Borrowing costs

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. 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 SUMMARY OF SIGNIFICANT 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 Mainland China, 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. On disposal of a foreign operation, the component of other comprehensive income 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 2022 was RMB38,445,000 (2021: RMB28,175,000). 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 2022 was RMB108,341,000 (2021: 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 or receipt 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

	2022 RMB'000	2021 RMB'000
Mainland China	980,898	1,702,176
Others	25	888
	980,923	1,703,064

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 Mainland China.

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 2022 and 2021 is set out below:

	2022 RMB'000	2021 RMB'000
Customer 1	745,504	977,701
Customer 2	190,566	N/A
Customer 3	N/A	170,473

* 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:

	2022 RMB'000	2021 RMB'000
<i>Revenue from contracts with customers</i>	978,862	1,703,064
<i>Revenue from other sources</i>		
Net licensing fee received from investments in drama series as a non-executive producer with share of copyrights	2,061	–
	980,923	1,703,064

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Types of goods or services		
Licensing of the broadcasting rights of drama series	481,025	1,107,249
Made-to-order drama series production	495,877	540,188
Others	1,960	55,627
Total revenue from contracts with customers	978,862	1,703,064
Geographical markets		
Mainland China	978,837	1,702,176
Others	25	888
Total revenue from contracts with customers	978,862	1,703,064

5. REVENUE, OTHER INCOME AND GAINS (CONT'D)

Revenue from contracts with customers (cont'd)

(i) *Disaggregated revenue information (cont'd)*

	2022 RMB'000	2021 RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	482,985	1,112,447
Services transferred over time	495,877	590,617
Total revenue from contracts with customers	978,862	1,703,064

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.

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	389,679	300,163

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:

	2022 RMB'000	2021 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	77,025	156,000

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:

	2022 RMB'000	2021 RMB'000
Government grants – related to income (<i>note</i>)	21,459	26,955
Bank interest income	2,707	4,922
Interest income from loans receivable	7,092	3,222
Interest income from amount due from a joint venture	1,438	840
Net foreign exchange differences	832	6,860
Change in fair value of financial assets at fair value through profit or loss	188	–
Investment income from financial assets at fair value through profit or loss	–	19
Investment income from the co-investment arrangements in drama series	–	1
Gain on disposal of items of property, plant and equipment	–	542
Gain on disposal of subsidiaries	–	721
Gain on lease termination	–	60
Others	173	3
	33,889	44,145

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.

Notes to the Financial Statements

31 December 2022

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		755,031	1,200,699
Depreciation of property, plant and equipment	13	1,133	3,307
Depreciation of right-of-use assets	14(a)	3,502	2,603
Amortisation of other intangible assets*	16	14,503	1,574
Government grants	5	(21,459)	(26,955)
Bank interest income	5	(2,707)	(4,922)
Investment income from financial assets at fair value through profit or loss		–	(19)
Interest income from loans receivable	5	(7,092)	(3,222)
Interest income from amount due from a joint venture	5	(1,438)	(840)
Changes in fair value of financial assets and liabilities at fair value through profit or loss		(188)	1,610
Lease payments not included in the measurement of lease liabilities	14(c)	122	918
Listing expenses		–	1,725
Auditor's remuneration		2,800	2,800
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		12,005	5,697
Equity-settled share award expenses		7,594	4,258
Pension scheme contributions**		904	739
Staff welfare expenses		487	90
		20,990	10,784
Gain on disposal of items of property, plant and equipment		–	(542)
Gain on lease termination		–	(60)
Share of profits and losses of joint ventures	17	4,357	(1,904)
Share of losses of associates	18	225	831
Gain on disposal of subsidiaries		–	(721)
Loss on disposal of a joint venture		–	1,133
Loss on disposal of an associate	18	53	–
Impairment of financial assets, net:			
Impairment of trade receivables, net	20	1,154	6,460
Impairment of other receivables, net	21	6,984	–
Impairment of amount due from a joint venture, net	33(b)	31,028	–
		39,166	6,460
Write-down/(reversal of write-down) of inventories to net realisable value***		6,139	(13,820)

* 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:

	2022 RMB'000	2021 RMB'000
Interest on bank loans	10,745	9,982
Interest on borrowings from third parties	1,307	1,903
Interest on discounted notes receivable	4,443	3,938
Interest on discounted trade receivables	497	5,850
Interest on lease liabilities	337	335
	17,329	22,008

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:

	2022 RMB'000	2021 RMB'000
Fees	615	600
Other emoluments:		
Salaries, allowances and benefits in kind	3,327	1,908
Pension scheme contributions	156	143
Equity-settled share option expenses	15,961	17,166
	20,059	19,817

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:

	2022 RMB'000	2021 RMB'000
Mr. Ma Zhongjun	205	200
Mr. Zhang Senquan	205	200
Mr. Chung Chong Sun	205	200
	615	600

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

Executive directors, non-executive directors and the chief executive

	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 expenses 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
	-	3,327	-	156	15,961	19,444
Non-executive directors:						
Mr. Wang Xiaohui	-	-	-	-	-	-
Ms. Liu Fan*	-	-	-	-	-	-
Ms. Zeng Ying *	-	-	-	-	-	-
	-	3,327	-	156	15,961	19,444



8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONT'D)

Executive directors, non-executive directors and the chief executive

	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 expenses RMB'000	Total remuneration RMB'000
2021						
Executive directors:						
Mr. Liu Xiaofeng	–	576	–	36	17,166	17,778
Mr. Chen Chen	–	497	–	37	–	534
Ms. Zhang Qiucheng	–	421	–	33	–	454
Ms. Zhai Fang	–	414	–	37	–	451
	–	1,908	–	143	17,166	19,217
Non-executive directors:						
Mr. Wang Xiaohui	–	–	–	–	–	–
Ms. Zeng Ying**	–	–	–	–	–	–
Mr. Wang Jun**	–	–	–	–	–	–
	–	1,908	–	143	17,166	19,217

* 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. Wang Jun resigned as a non-executive director of the Company on 27 April 2021. Ms. Zeng Ying was appointed as a non-executive director of the Company on 27 April 2021.

There were no fees and other emoluments payable to the non-executive directors during the year (2021: Nil).

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.

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2021: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2021: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	2,051	441
Pension scheme contributions	115	55
Equity-settled share award expenses	3,061	2,583
	5,227	3,079

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	
	2022	2021
Nil to HK\$1,000,000	–	4
HK\$1,000,001 to HK\$1,500,000	2	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	–
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	1	–
	3	4

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%. 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 Mainland China 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. Wuxi Strawbear, Hainan Jiujun, Hainan Xuxuxing, Hainan Yiming and Hangzhou Xiaobaiyang are recognised as Small and Low-profit Enterprises, and the first RMB1,000,000 of assessable profits of these subsidiaries are entitled to a preferential tax rate of 2.5% and the remaining assessable profits less than RMB2,000,000 are entitled to a preferential tax rate of 5% during the year.

(a) The major components of the income tax expense of the Group during the year are analysed as follows:

	2022 RMB'000	2021 RMB'000
Current – Mainland China		
Charge for the year	32,732	58,577
Deferred tax (<i>note 27</i>)	(4,803)	18,204
Total tax charge for the year	27,929	76,781

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10. INCOME TAX (CONT'D)

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

	2022 RMB'000	2021 RMB'000
Profit before tax	77,936	246,159
Tax at the statutory tax rate of 25% in Mainland China	19,484	61,540
Effect of tax rate differences in other jurisdictions	28	(16)
Tax effect of tax exemption granted to subsidiaries	185	433
Expenses not deductible for tax	845	12,350
Tax losses utilised from previous periods	(2,552)	(809)
Profits and losses attributable to joint ventures and associates	752	–
Temporary differences not recognised	6,803	–
Tax losses not recognised	2,384	3,283
Tax charge at the Group's effective tax rate	27,929	76,781

11. DIVIDENDS

The board of directors has resolved not to recommend payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the 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 2022 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 earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect changes in fair value of financial liabilities at fair value through profit or loss 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. 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:

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	50,933	169,249
Less:		
Changes in fair value of financial liabilities at fair value through profit or loss	–	(1,610)
Profit attributable to ordinary equity holders of the parent, before changes in fair value of financial liabilities at fair value through profit or loss	50,933	170,859

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	675,075,687	673,808,984
Effect of dilution – weighted average number of ordinary shares:		
Preferred shares	–	3,732,822
Restricted share units	5,057,218	583,514
Share options	21,482,542	28,815,336
	701,615,447	706,940,656

13. PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment RMB'000	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



13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Electronic equipment RMB'000	Vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Mechanical equipment RMB'000	Total RMB'000
31 December 2021						
At 1 January 2021:						
Cost	13,249	4,603	1,732	2,245	3,010	24,839
Accumulated depreciation	(9,948)	(2,601)	(1,320)	(1,369)	(190)	(15,428)
Net carrying amount	3,301	2,002	412	876	2,820	9,411
At 1 January 2021, net of accumulated depreciation	3,301	2,002	412	876	2,820	9,411
Additions	427	1,059	7	154	-	1,647
Disposals	-	(710)	-	-	(3)	(713)
Disposal of a subsidiary	(1,690)	-	(100)	(10)	(2,340)	(4,140)
Depreciation provided during the year	(1,780)	(718)	(138)	(194)	(477)	(3,307)
At 31 December 2021, net of accumulated depreciation	258	1,633	181	826	-	2,898
At 31 December 2021:						
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

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 2021	7,916
Additions	3,583
Additions as a result of acquisition of a subsidiary	(1,068)
Depreciation provided during the year (note 6)	(2,603)
As at 31 December 2021 and at 1 January 2022	7,828
Additions	1,834
Depreciation provided during the year (note 6)	(3,502)
As at 31 December 2022	6,160

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	7,191	7,520
New leases	1,834	3,583
Accretion of interest recognised during the year	337	335
Reduction as a result of lease termination	–	(1,128)
Payments	(4,063)	(3,119)
Carrying amount at 31 December	5,299	7,191
Analysed into:		
Current portion	3,051	3,302
Non-current portion	2,248	3,889

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:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	337	335
Depreciation charge of right-of-use assets	3,502	2,603
Expenses relating to short term leases (included in administrative expenses)	122	918
Total amount recognised in profit or loss	3,961	3,856

(d) The total cash outflow for leases is disclosed in note 31(c) to the financial statements.

15. GOODWILL

	2022 RMB'000	2021 RMB'000
Cost and net carrying amount at beginning of year	108,341	112,983
Disposal of a subsidiary	-	(4,642)
Cost and net carrying amount 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:

	2022 %	2021 %
Gross profit margin	14	14
Terminal growth rate	3	3
Pre-tax discount rate	19.3	20.2

Assumptions were used in the value in use calculation of the Hangzhou Yide cash-generating unit for 31 December 2022 and 31 December 2021. 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 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	
	Software RMB'000	Trademarks RMB'000	Backlog RMB'000	Patents RMB'000	Total RMB'000
31 December 2021					
At 1 January 2021:					
Cost	587	30	42,900	12,300	55,817
Accumulated amortisation	(315)	(13)	(28,400)	(897)	(29,625)
Net carrying amount	272	17	14,500	11,403	26,192
Cost at 1 January 2021, net of accumulated amortisation	272	17	14,500	11,403	26,192
Disposal of a subsidiary	(110)	–	–	(9,994)	(10,104)
Amortisation provided during the year	(162)	(3)	–	(1,409)	(1,574)
At 31 December 2021	–	14	14,500	–	14,514
At 31 December 2021:					
Cost	3	30	42,900	–	42,933
Accumulated amortisation	(3)	(16)	(28,400)	–	(28,419)
Net carrying amount	–	14	14,500	–	14,514

17. INVESTMENTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Share of net assets	1,312	5,532

The Group's balances and transactions with the joint ventures are disclosed in note 33 to the financial statements.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2022 RMB'000	2021 RMB'000
Share of the joint ventures' (losses)/profits for the year	(4,357)	1,904
Share of the joint ventures' total comprehensive (loss)/income for the year	(4,357)	1,904
Aggregate carrying amount of the Group's investments in joint ventures	1,312	5,532

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

	2022 RMB'000	2021 RMB'000
Share of net assets	7,197	6,037

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 RMB'000	2021 RMB'000
Share of the associates' losses for the year	(225)	(831)
Share of the associates' total comprehensive loss for the year	(225)	(831)
Aggregate carrying amount of the Group's investments in associates	7,197	6,037

The Group's shareholdings in the associates all comprise equity shares held by wholly-owned subsidiaries of the Company and the Consolidated Affiliated Entities.

In March 2022, the Group invested a 15% interest in an associate with an amount of RMB1,500,000. Out of the investment amount, RMB750,000 was paid in August 2022, and the remaining amount was outstanding as at year end.

In October 2022, the Group deregistered an associate with unanimous agreement with its other shareholders resulted in loss on disposal of an associate of RMB53,000.

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19. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	178,178	144,203
Work in progress	157,453	776,873
Finished goods	773,802	178,933
	1,109,433	1,100,009

20. TRADE AND NOTES RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	449,956	712,174
Notes receivable	113,838	108,070
	563,794	820,244
Impairment	(18,439)	(17,285)
	545,355	802,959

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:

	2022 RMB'000	2021 RMB'000
Within 3 months	64,355	232,121
3 to 6 months	66,971	217,522
6 to 12 months	150,510	193,852
1 to 2 years	141,199	51,251
2 to 3 years	8,482	143
	431,517	694,889



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 2022

	Trade receivables ageing					Total
	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	
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

As at 31 December 2021

	Trade receivables ageing					Total
	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	
Expected credit loss rate	0.03%	2.17%	11.37%	35.59%	100.00%	2.43%
Gross carrying amount RMB'000	191,630	466,492	52,830	222	1,000	712,174
Expected credit losses RMB'000	59	10,138	6,009	79	1,000	17,285

20. TRADE AND NOTES RECEIVABLES (CONT'D)

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

	2022 RMB'000	2021 RMB'000
At beginning of year	17,285	12,291
Impairment losses recognised, net (<i>note 6</i>)	1,154	6,460
Disposal of a subsidiary	–	(405)
Amount written off as uncollectible	–	(1,061)
At end of year	18,439	17,285

The increase (2021: 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 (2021: increase in the loss allowance of RMB6,460,000 as a result of an increase in trade receivables which were past due for less than 1 year).

Included in the Group's trade and notes receivables were amounts due from the Group's related parties of RMB320,529,000 (2021: RMB240,816,000), 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 RMB211,384,000 (2021: RMB649,438,000) were pledged to secure the bank loans granted to the Group (note 26).

At 31 December 2022, notes receivable of RMB21,888,000 (2021: RMB20,000,000), whose fair values approximate to their carrying values, were classified as financial assets at fair value through other comprehensive income under HKFRS 9, and the remaining notes receivable of RMB91,950,000 (2021: RMB88,070,000) were measured at amortised cost.

At 31 December 2022, the Group endorsed certain notes receivable accepted by banks in Mainland China (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 RMB78,200,000 (2021: RMB41,370,000). In addition, at 31 December 2022, the Group discounted certain notes receivable accepted by certain banks in Mainland China (the "**Discounted Notes**") with a carrying amount in aggregate of RMB49,500,000 (2021: RMB79,200,000). 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**").





20. TRADE AND NOTES RECEIVABLES (CONT'D)

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks with an amount of RMB44,000,000 (2021: RMB40,500,000) as at 31 December 2022 (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 2022, the Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade payables settled with an amount of RMB34,200,000 (2021: RMB870,000), and to recognise the proceeds received from the discount of the remaining Discounted Notes with an amount of RMB49,500,000 (2021: RMB79,200,000) as short-term loan because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed and Discounted Notes. During the year, the Group recognised the interest expense on the discounted notes receivable amounting to RMB4,443,000 (2021: RMB3,938,000).

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments under the co-investment arrangements	97,957	76,283
Prepayments	118,980	177,509
Deductible input value-added tax	26,074	44,541
Prepaid income tax	21,067	8,148
Deposits and other receivables	22,776	25,431
Loans receivable (<i>note (a)</i>)	99,389	31,296
	386,243	363,208
Impairment (<i>note (b)</i>)	(6,984)	–
	379,259	363,208

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21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONT'D)

Notes:

- (a) Loans receivable represent the financial investments in certain drama series and loans provided to third parties. Included in the loans receivable, RMB41,000,000 (2021: RMB27,000,000) 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 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

As at 31 December 2021

	Effective interest rate	Maturity	RMB'000
Denominated in RMB	12%	27 April 2022	10,000
Denominated in RMB	12%	26 January 2022	7,000
Denominated in RMB	10%	On demand	10,000

- (b) 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 2022, the probability of default applied ranged from 1.71% to 6.90% and the loss given default was estimated range from 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 2022 was ranged from 1.71% to 5.18%.

As at 31 December 2021 the Group estimated that the expected loss rate for loans receivable, deposits and other receivables was minimal.

The movements in the loss allowance for impairment of loans receivable, deposits and other receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	–	–
Impairment losses recognised (note 6)	6,984	–
At end of year	6,984	–





22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Investment in drama series without copyright, at fair value	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 RMB11,402,000 is determined by discounted cash flow valuation techniques.

Below is a summary of significant unobservable inputs to the valuation of the investment measured at fair value using discounted cash flow technique together with a quantitative sensitivity analysis as at 31 December 2022:

	Valuation technique	Significant unobservable inputs	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

	2022 RMB'000	2021 RMB'000
Cash and bank balances	177,889	302,796
Time deposits	91,653	91,139
Restricted cash	43,200	–
	312,742	393,935
Less: Pledged time deposits: Pledged for short term bank loans (<i>note 26</i>)	61,493	91,139
Less: Restricted cash (<i>note 26</i>)	43,200	–
Cash and cash equivalents	208,049	302,796
Denominated in:		
RMB	186,771	297,157
HK\$	21,278	5,639
Total cash and cash equivalents	208,049	302,796

The RMB is not freely convertible into other currencies, however, under Mainland China'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 deposits are made for varying periods within one year depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Restricted cash mainly represents bank balances of RMB43,200,000 (2021: Nil) which were restricted to guarantee certain unexpired interest-bearing bank borrowings.





24. TRADE PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	215,307	256,828

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	77,551	92,640
3 to 6 months	27,168	16,230
6 to 12 months	2,400	103,550
1 to 2 years	84,549	33,608
2 to 3 years	22,194	7,555
Over 3 years	1,445	3,245
	215,307	256,828

Included in the trade payables were trade payables of RMB34,972,000 (2021: RMB61,944,000) 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.

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25. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Contract liabilities (<i>note (a)</i>)	137,039	392,603
Other payables (<i>note (b)</i>)	14,327	42,649
Other tax payables	6,264	13,943
Accrued liabilities	–	4,547
Interest payable	–	484
Payroll and welfare payable	547	343
	158,177	454,569

Notes:

(a) Details of contract liabilities are as follows:

	2022 RMB'000	2021 RMB'000
<i>Short-term advances received from customers</i>		
Licensing of the broadcasting rights of drama series	76,868	156,000
Made-to-order drama series production	60,014	236,603
Others	157	–
Total contract liabilities	137,039	392,603

Contract liabilities include short-term advances received from the licensing of broadcasting rights of drama series, made-to-order drama series production and others.

Included in the contract liabilities are advances received from the Group's related parties of RMB48,251,000 (2021: RMB286,603,000).

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



26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2022 RMB'000
Current			
Bank loan – secured (<i>note (a)</i>)	5.20	2023	150,768
Bank loan – secured (<i>note (b)</i>)	5.22	2023	12,622
Bank loan – secured (<i>note (c)</i>)	4.60	2023	40,056
Discounted notes receivable – secured (<i>note (f)</i>)	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
			275,973

	Effective interest rate (%)	Maturity	2021 RMB'000
Current			
Bank loan – secured (<i>note (d)</i>)	5.22	2022	130,213
Bank loan – secured (<i>note (e)</i>)	5.22	2022	30,048
Discounted notes receivable – secured (<i>note (f)</i>)	5.00	2022	79,200
Bank loan – unsecured	4.85	2022	10,015
Other borrowing – unsecured	8.00	2022	28,865
			278,341

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26. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONT'D)

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	272,973	249,476
Other borrowing repayable:		
Within one year	3,000	28,865
	275,973	278,341

Notes:

- (a) The Group's bank loans are 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 are guaranteed by the Company.
- (b) The Group's bank loan is secured by the pledge of certain of the Group's trade receivables amounting to RMB36,000,000 and is guaranteed by subsidiaries.
- (c) The Group's bank loan is 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.
- (d) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB544,438,000 and short-term deposits amounting to RMB30,529,000 and was guaranteed by the Company.
- (e) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB105,000,000 and was guaranteed by subsidiaries.
- (f) The Group's discounted notes receivable are secured by the pledge of short-term deposits amounting to RMB30,160,000 (2021: RMB60,610,000).





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	Accrued expenses RMB'000	Write-down of inventories RMB'000	Unrealised profit attributed to the intra-group transaction RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	3,073	17,805	3,455	428	1,551	26,312
Deferred tax credited/(charged) to profit or loss during the year (note 10)	1,309	(16,668)	(3,455)	(202)	130	(18,886)
Disposal of a subsidiary	(61)	–	–	–	–	(61)
Gross deferred tax assets at 31 December 2021 and 1 January 2022	4,321	1,137	–	226	1,681	7,365
Deferred tax credited/(charged) to profit or loss during the year (note 10)	2,035	(1,137)	–	339	(416)	821
Gross deferred tax assets at 31 December 2022	6,356	–	–	565	1,265	8,186

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 2021	8,553	1,656	10,209
Deferred tax charged/(credited) to profit or loss during the year (<i>note 10</i>)	(852)	170	(682)
Disposal of a subsidiary	(1,365)	–	(1,365)
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	6,336	1,826	8,162
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	(3,625)	(357)	(3,982)
Gross deferred tax liabilities at 31 December 2022	2,711	1,469	4,180

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:

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	6,943	5,716
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,937)	(6,513)
	4,006	(797)



27. DEFERRED TAX (CONT'D)

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

	2022 RMB'000	2021 RMB'000
Deductible temporary differences	27,212	–
Tax losses	38,445	28,175
	65,657	28,175

The above tax losses arising in Mainland China 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, 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 Mainland China. 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 Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB456,300,000 (2021: RMB404,646,000).

28. SHARE CAPITAL

Shares	2022 US\$'000	2021 US\$'000
Authorised: 2,000,000,000 (2021: 2,000,000,000) ordinary shares of US\$0.000025 each	50	50
Issued and fully paid: 696,629,400 (2021: 694,747,000) ordinary shares of US\$0.000025 each	17	17

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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 2021	400,000,000	–	–	–	–
Conversion of preferred shares to ordinary shares	97,320,000	16	477,022	–	477,038
Issue of shares from initial public offering	165,780,000	83	811,622	–	811,705
Exercise of the over-allotment option	24,867,000	12	121,743	–	121,755
Share issue expenses	–	–	(32,913)	–	(32,913)
Issue of shares for the RSU Scheme	6,780,000	1	–	(1)	–
Repurchase of shares	–	–	–	(19,381)	(19,381)
Restricted share units vested	–	–	(2,329)	2,329	–
At 31 December 2021 and 1 January 2022	694,747,000	112	1,375,145	(17,053)	1,358,204
Share options exercised (<i>note (a)</i>)	1,882,400	1	3,858	–	3,859
Repurchase of shares (<i>note (b)</i>)	–	–	–	(28,128)	(28,128)
Restricted share units vested (<i>note (c)</i>)	–	–	4,388	2,530	6,918
At 31 December 2022	696,629,400	113	1,383,391	(42,651)	1,340,853

Notes:

- 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.
- 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.
- 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 page 149 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 '000
At 1 January 2021, 31 December 2021, and 1 January 2022	0.000025	37,648,000
Exercised during the year	0.000025	(1,882,400)
At 31 December 2022	0.000025	35,765,600

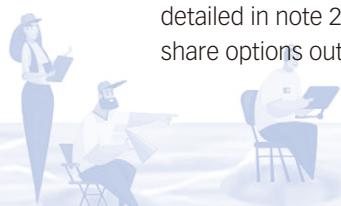
The weighted average share price at the date of exercise for share options exercised during the year was US\$0.000025 per share (2021: No share options were exercised).

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 RMB15,961,000 during the year (2021: RMB17,166,000).

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.

The 1,882,400 share options exercised during the year resulted in the issue of 1,882,400 ordinary shares of the Company and new share capital of 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 35,765,600 share options outstanding under the Pre-IPO Share Option Scheme.





30. SHARE AWARD AND SHARE OPTION SCHEMES (CONT'D)

(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 14 November 2022, 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;
- (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 the business partners, including 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, 25% of the RSUs shall vest on 1 January 2024, 1 January 2025, 1 January 2026 and 1 January 2027, 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.

On 19 April 2022, 3,859,000 RSUs granted to the business partners, only including 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; and
- (ii) in relation to 3,100,000 RSUs granted, one-third of the RSUs shall vest on 1 May 2024, 1 May 2025 and 1 May 2026.



30. SHARE AWARD AND SHARE OPTION SCHEMES (CONT'D)**(b) 2021 RSU Scheme (cont'd)**

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 2021	–	–
Issue of shares	6,780,000	–
Repurchase of shares	10,000,000	–
Granted during the year	(16,780,000)	16,780,000
Vested during the year	–	(2,016,000)
Outstanding at 31 December 2021, and 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	192,000	18,063,000

The fair value of RSUs granted to suppliers and employees mentioned above 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 19 April 2022	As at 31 December 2022	As at 31 December 2021
Liquidity discount (%)	20%	18%	8%

During the year, the Group recorded a share-based compensation of RMB8,031,000 (2021: RMB5,007,000), of which RMB1,340,000 (2021: RMB4,258,000) was recognised to profit or loss, RMB6,554,000 (2021: RMB644,000) was recognised in inventories and RMB137,000 (2021: RMB105,000) was recognised in share of loss of a joint venture.

No other feature of the RSUs granted was incorporated into the measurement of fair value.

30. SHARE AWARD AND SHARE OPTION SCHEMES (CONT'D)

(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 1 grantee, 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. 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. The exercise price of the RSUs is nil. There are performance targets required.

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.

The 310,000 RSUs granted to such business partner 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.





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	(310,000)	5,642,800

The fair value of RSUs granted to employees of the Group and a business partner in 2022 under the 2022 RSU Scheme was estimated as at the date of grant or receipt by management 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 RMB6,502,000, of which RMB6,254,000 was recognised to profit or loss and RMB248,000 was recognised in inventories.

No other feature of the RSUs granted was incorporated into the measurement of fair value.

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 RMB1,834,000 (2021: RMB3,583,000) in respect of lease arrangements for office premises.

During the year, loans receivable of RMB11,214,000 (2021: Nil) was transferred to financial assets at fair value through profit and loss which represents the Group's investment in drama series production of which the Group is not entitled to copyrights.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Amount due to a joint venture RMB'000	Interest payable RMB'000	Lease liabilities RMB'000	Financial liabilities at fair value through profit or loss RMB'000
At 1 January 2021	159,000	73,295	308	7,520	475,428
Additions	–	–	–	3,583	–
Reduction as a result of lease terminations	–	–	–	(1,128)	–
Changes from financing cash flows	118,200	(71,000)	–	(2,784)	–
Changes in fair value of financial liabilities at fair value through profit or loss	–	–	–	–	1,610
Conversion of preferred shares to ordinary shares	–	–	–	–	(477,038)
Interest accrued	11,709	–	176	335	–
Interest paid	(10,568)	(2,295)	–	(335)	–
At 31 December 2021 and 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	275,973	–	–	5,299	–





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:

	2022 RMB'000	2021 RMB'000
Within operating activities	122	918
Within financing activities	3,726	2,784
	3,848	3,702

32. COMMITMENTS

The Group had the following commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for: Drama series	371,810	429,528

33. RELATED PARTY TRANSACTIONS

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

Name	Relationship with the Company
Zhejiang Dongyang Chestnutbear Film and Television Culture Co., Ltd. (" Dongyang Chestnutbear ")	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
Hainan Miduoqi Entertainment Co., Ltd. (" Hainan Miduoqi ")	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
Shanghai Shaoyin Music Entertainment Co., Ltd. (" Shanghai Shaoyin ")	An entity controlled by shareholders



33. RELATED PARTY TRANSACTIONS (CONT'D)

- (a) In addition to the transactions detailed in notes 20, 24 and 25 to the financial statements, the Group had the following transactions with related parties during the year:

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Sales of goods to:			
Beijing iQIYI	<i>(i)</i>	700,221	680,446
Hainan iQIYI	<i>(i)</i>	45,283	297,255
Purchases of goods from:			
Beijing iQIYI	<i>(ii)</i>	19,698	91,483
Shanghai Shaoyin	<i>(ii)</i>	566	–
Dongyang Chestnutbear	<i>(ii)</i>	50,226	4,492
Beijing Honeybear		–	387
Xingyu Yinyue	<i>(ii)</i>	33,019	23,585
Loans to:			
Hainan Miduoqi		–	8
Xingyu Yinyue	<i>(iii)</i>	–	28,750
Interest income from:			
Xingyu Yinyue	<i>(iii)</i>	1,438	840
Repayments of loans from:			
Hainan Miduoqi		–	8

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.

33. RELATED PARTY TRANSACTIONS (CONT'D)**(b) Outstanding balances with related parties:***(i) Trade and notes receivables*

	2022 RMB'000	2021 RMB'000
Beijing iQIYI	279,671	109,734
Hainan iQIYI	40,858	131,082
	320,529	240,816

(ii) Prepayments, other receivables and other assets

	2022 RMB'000	2021 RMB'000
Dongyang Chestnutbear	–	4,500

(iii) Trade payables

	2022 RMB'000	2021 RMB'000
Beijing iQIYI	31,542	38,359
Dongyang Chestnutbear	2,830	–
Shanghai Shaoyin	600	–
Xingyu Yinyue	–	23,585
	34,972	61,944

(iv) Other payables and accruals

	2022 RMB'000	2021 RMB'000
Hainan iQIYI	45,170	–
Beijing iQIYI	3,081	286,603
	48,251	286,603



33. RELATED PARTY TRANSACTIONS (CONT'D)**(b) Outstanding balances with related parties (cont'd):***(v) Due from a joint venture*

	2022 RMB'000	2021 RMB'000
Xingyu Yinyue	31,028	29,590
Impairment loss recognised <i>(note 6)</i>	(31,028)	–
	–	29,590

Considering the current financial position and business situation of Xinyu Yinyue with its unclear future profitability, the loan to Xinyu Yinyue is unlikely to be repaid in the foreseeable future. Accordingly, the Group recognised a provision relating to the loan balance due from Xinyu Yinyue amounted to RMB31,028,000 during the year.

Except for the amount due from a joint venture and the balances detailed elsewhere in notes 20, 24 and 25, the balances with related parties are unsecured, interest-free and repayable on demand.

Except for the amounts stated in (b)(v) above, the balances with related parties are trade in nature.

The related party transactions in respect of sales of goods to Beijing iQIYI and Hainan iQIYI and purchases of goods from Beijing iQIYI and Shanghai Shaoyin 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:

	2022 RMB'000	2021 RMB'000
Fees	615	600
Salaries, allowances and benefits in kind	3,327	1,908
Equity-settled share option expenses	15,961	17,166
Pension scheme contributions	156	143
Total compensation paid to key management personnel	20,059	19,817

Further details of directors' emoluments are included in note 8 to the financial statements.

Notes to the Financial Statements

31 December 2022

34. 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:

2022

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	cost RMB'000	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
	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
	510,906	510,906



34. 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)

2021*Financial assets*

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Debt investments		
	RMB'000	RMB'000	RMB'000
Notes receivable	20,000	88,070	108,070
Trade receivables	–	694,889	694,889
Financial assets included in prepayments, other receivables and other assets	–	56,727	56,727
Due from a joint venture	–	29,590	29,590
Pledged deposits	–	91,139	91,139
Cash and cash equivalents	–	302,796	302,796
	20,000	1,263,211	1,283,211

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000
Trade payables	256,828	256,828
Lease liabilities	7,191	7,191
Interest-bearing bank and other borrowings	278,341	278,341
Financial liabilities included in other payables and accruals	47,680	47,680
Dividend payable	48,000	48,000
	638,040	638,040

35. 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, financial assets at fair value through profit and loss, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings, lease liabilities and amount due from a joint venture 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. 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 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 2022 were assessed to be insignificant.

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.



35. 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 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	21,888	–	21,888
Financial assets at fair value through profit or loss	–	–	11,402	11,402
	–	21,888	11,402	33,290

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	20,000	–	20,000

35. 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:

	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 2022 and 31 December 2021.

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.

36. 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, financial asset at fair value through profit or loss, restricted cash, 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.



36. 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
2022			
If the RMB weakens against the Hong Kong dollar	5	(1,051)	(1,051)
If the RMB strengthens against the Hong Kong dollar	(5)	1,051	1,051
2021			
If the RMB weakens against the Hong Kong dollar	5	249	249
If the RMB strengthens against the Hong Kong dollar	(5)	(249)	(249)

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.

36. 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 2022

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach 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	80,076	–	–	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
	468,669	80,076	31,028	449,956	1,029,729



36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**Credit risk (cont'd)***Maximum exposure and year-end staging (cont'd)***As at 31 December 2021**

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Trade receivables*	–	–	–		712,174	712,174
Notes receivable**	108,070	–	–		–	108,070
Financial assets included in prepayments, other receivables and other assets						
– Normal**	56,727	–	–		–	56,727
Due from a joint venture	29,590	–	–		–	29,590
Pledged deposits						
– Not yet past due	91,139	–	–		–	91,139
Cash and cash equivalents						
– Not yet past due	302,796	–	–		–	302,796
	588,322	–	–		712,174	1,300,496

* 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.

36. 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 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
	229,634	16,700	268,459	2,347	-	517,140

	31 December 2021					
	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	-	12,102	272,553	-	-	284,655
Trade payables	256,828	-	-	-	-	256,828
Lease liabilities	-	826	2,776	3,871	193	7,666
Financial liabilities included in other payables and accruals	18,815	-	28,865	-	-	47,680
Dividend payable	48,000	-	-	-	-	48,000
	323,643	12,928	304,194	3,871	193	644,829



36. 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 2022 and 31 December 2021.

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:

	2022 RMB'000	2021 RMB'000
Interest-bearing bank and other borrowings	275,973	278,341
Lease liabilities	5,299	7,191
Trade payables	215,307	256,828
Less: Cash and cash equivalents	(208,049)	(302,796)
Net debt	288,530	239,564
Equity attributable to owners of the parent	1,826,632	1,773,332
Debt to equity ratio	15.8%	13.5%

37. EVENTS AFTER THE REPORTING PERIOD

The Company and its subsidiaries have no significant subsequent events need to be disclosed.

38. 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:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	105,105	74,747
Total non-current assets	105,105	74,747
CURRENT ASSETS		
Inventories	–	400
Prepayments	400	–
Due from subsidiaries	1,217,331	1,264,269
Cash and cash equivalents	21,404	5,763
Total current assets	1,239,135	1,270,432
CURRENT LIABILITIES		
Other payables and accruals	268	666
Total current liabilities	268	666
NET CURRENT ASSETS	1,238,867	1,269,766
TOTAL ASSETS LESS CURRENT LIABILITIES	1,343,972	1,344,513
Net assets	1,343,972	1,344,513
EQUITY		
Share capital	113	112
Treasury shares	(42,651)	(17,053)
Reserves (<i>note</i>)	1,386,510	1,361,454
Total equity	1,343,972	1,344,513



38. 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 2021	-	-	-	52,680	-	(91,712)	(39,032)
Total comprehensive income for the year	-	-	-	-	-	3,169	3,169
Equity-settled share award and option arrangements	-	-	-	22,173	-	-	22,173
Issue of shares from initial public offering	96	933,365	(1)	-	(1)	-	933,459
Share issue expenses	-	(32,913)	-	-	-	-	(32,913)
Conversion of preferred shares to ordinary shares	16	477,022	-	-	-	-	477,038
Repurchase of shares	-	-	-	-	(19,381)	-	(19,381)
Restricted share units vested	-	(2,329)	-	-	2,329	-	-
At 31 December 2021 and 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	113	1,383,391	(1)	94,571	(42,651)	(91,451)	1,343,972

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2023.

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31,				2022 RMB'000
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	
Revenue	679,109	765,097	952,362	1,703,064	980,923
Gross profit	209,863	107,640	259,821	516,185	219,753
Profit before tax	40,148	65,972	48,420	246,159	77,936
Income tax expense	(29,635)	(15,572)	(30,228)	(76,781)	(27,929)
Profit for the year	10,513	50,400	18,192	169,378	50,007
Attributable to Owners of the parent	12,434	50,032	18,430	169,249	50,933
Non-controlling interests	(1,921)	368	(238)	129	(926)

ASSETS AND LIABILITIES

	As at December 31,				2022 RMB'000
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	
Total assets	1,079,887	2,052,255	1,859,920	2,840,567	2,492,563
Total liabilities	933,925	1,857,804	1,635,283	1,067,335	666,957
Total equity	145,962	194,451	224,637	1,773,232	1,825,606
Non-controlling interests	1,543	–	930	(100)	(1,026)
Equity attributable to owners of the parent	144,419	194,451	223,707	1,773,332	1,826,632



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 Friday, June 9, 2023
“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”	refers to 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

Definitions and Glossaries

“CG Code”	the Corporate Governance Code as set out in Part 2 of Appendix 14 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
“COVID-19”	novel coronavirus pneumonia
“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

Definitions and Glossaries

“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
“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
“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)
“Hangzhou Yide”	Hangzhou Yide Cultural Creativity Co., Ltd. (杭州懿德文化創意有限公司), a limited liability company established in the PRC on June 25, 2015 and an indirectly wholly-owned subsidiary of the Company
“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)”	refers to 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”	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
“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 10 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
“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), an executive Director, the chief marketing officer of the Company and one of the Registered Shareholders of Jiangsu Strawbear

Definitions and Glossaries

“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播電視總局)
“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, 2022 to December 31, 2022
“RMB” or “Renminbi”	the lawful currency of the PRC
“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
“RSU Scheme(s)”	2021 RSU Scheme and/or 2022 RSU Scheme
“Selected Participant(s)”	any Eligible Participant approved by the Board for participation in the RSU Schemes on the relevant Grant Date





“Service Provider(s)”	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
“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
“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
“TV series”	a series of scripted episodes that needs to obtain a distribution license from the NRTA, which are broadcast on TV channels and/or new media channels such as online video platforms
“US\$”	United States dollars, the lawful currency for the time being of the United States

Definitions and Glossaries

“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
“Wuxi Strawbear”	Wuxi Strawbear Culture Media Co., Ltd. (無錫稻草熊文化傳媒有限公司), a limited liability company established in the PRC on June 4, 2020 and an indirectly non-wholly-owned subsidiary of the Company

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.

