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Strawbear Entertainment Group
稻草熊娱乐集团

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2125)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

FINANCIAL HIGHLIGHTS

Revenue for the year ended December 31, 2020 amounted to approximately RMB952.4 million, representing an increase of 24.5% from approximately RMB765.1 million for the year ended December 31, 2019.

Gross profit for the year ended December 31, 2020 amounted to approximately RMB259.8 million, representing an increase of 141.4% from approximately RMB107.6 million for the year ended December 31, 2019.

Profit for the year ended December 31, 2020 amounted to approximately RMB18.2 million, representing a decrease of 63.9% from approximately RMB50.4 million for the year ended December 31, 2019.

Adjusted net profit* for the year ended December 31, 2020 amounted to approximately RMB130.9 million, representing an increase of 100.1% from approximately RMB65.4 million for the year ended December 31, 2019.

Net assets for the year ended December 31, 2020 amounted to approximately RMB224.6 million, representing an increase of 15.5% from approximately RMB194.5 million for the year ended December 31, 2019.

The Board does not recommend the payment of any dividend for the year ended December 31, 2020.

* *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 expense and/or listing expenses incurred during the respective year.*

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2020 together with the comparative figures for the same period in 2019:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	4	**952,362**	765,097
Cost of sales		**(692,541)**	(657,457)
Gross profit		**259,821**	107,640
Other income and gains	4	**24,882**	34,343
Selling and distribution expenses		**(80,972)**	(33,498)
Administrative expenses		**(68,017)**	(17,655)
Other expenses		**–**	(128)
Finance costs		**(9,944)**	(9,734)
Share of profits of a joint venture		**307**	–
Changes in fair value of financial liabilities at fair value through profit or loss		**(77,657)**	(14,996)
PROFIT BEFORE TAX	5	**48,420**	65,972
Income tax expense	6	**(30,228)**	(15,572)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18,192**	50,400
Attributable to:			
Owners of the parent		**18,430**	50,032
Non-controlling interests		**(238)**	368
		18,192	50,400
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	8	**4.6 cents**	12.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,411**	2,665
Right-of-use assets		**7,916**	894
Goodwill	*9*	**112,983**	108,341
Other intangible assets	*10*	**26,192**	42,920
Investment in a joint venture		**14,818**	14,000
Investment in an associate		**–**	300
Deferred tax assets		**24,774**	28,053
Total non-current assets		**196,094**	197,173
CURRENT ASSETS			
Inventories	*11*	**856,338**	919,119
Trade and notes receivables	*12*	**440,731**	485,396
Prepayments, other receivables and other assets		**238,840**	340,906
Due from a related party		**–**	3,000
Restricted cash		**2,319**	54,312
Pledged deposits		**30,000**	–
Cash and cash equivalents		**95,598**	52,349
Total current assets		**1,663,826**	1,855,082
CURRENT LIABILITIES			
Trade payables	*13*	**238,351**	449,190
Other payables and accruals	*14*	**587,759**	734,535
Interest-bearing bank and other borrowings	*15*	**159,000**	125,000
Lease liabilities		**2,250**	509
Due to a joint venture		**73,295**	51,000
Due to a related party		**–**	105,926
Tax payable		**5,259**	6,604
Dividend payable		**80,000**	81,507
Total current liabilities		**1,145,914**	1,554,271
NET CURRENT ASSETS		**517,912**	300,811
TOTAL ASSETS LESS CURRENT LIABILITIES		**714,006**	497,984

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 December 2020

	Note	2020 RMB'000	2019 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**714,006**	497,984
NON-CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss	*16*	**475,428**	289,521
Lease liabilities		**5,270**	–
Deferred tax liabilities		**8,671**	14,012
Total non-current liabilities		**489,369**	303,533
Net assets		**224,637**	194,451
EQUITY			
Equity attributable to owners of the parent			
Share capital		**–**	–
Reserves		**223,707**	194,451
		223,707	194,451
Non-controlling interests		**930**	–
Total equity		**224,637**	194,451

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 3 January 2018. The registered office 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 drama series.

The shares of the company were listed on the Main Board of the Stock Exchange on 15 January 2021.

2. 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. All HKFRSs effective for the accounting period commencing from 1 January 2020, together with the relevant transitional provisions, had been early adopted by the Group in the preparation of the financial statements for the year ended 31 December 2019. They have been prepared under the historical cost convention, except for financial assets at fair value through comprehensive income and financial liabilities 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 2020. 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).

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.

3. 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

During the year, the Group operated within one geographical segment because all of the Group's revenue was generated from customers located in Mainland China. All of the non-current assets of the Group were 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 year is set out below:

	2020	2019
	RMB'000	*RMB'000*
Customer 1	**553,164**	208,484
Customer 2	**N/A***	172,824
Customer 3	**N/A***	140,094

* 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.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**947,534**	760,245
Revenue from other sources		
Net licensing fee received from investments in drama series as a non-executive producer with share of copyrights	**4,828**	770
Net licensing fee received from investments in drama series as a non-executive producer without share of copyrights	**–**	4,082
	952,362	765,097

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020	2019
	RMB'000	*RMB'000*
Type of goods or services		
Licensing of the broadcasting rights of self-produced drama series	**516,302**	571,412
Licensing of the broadcasting rights of outright-purchased drama series	**108,782**	183,272
Made-to-order drama series production	**280,189**	–
Others	**42,261**	5,561
Total revenue from contracts with customers	**947,534**	760,245

Geographical markets

All of the Group's revenue was generated from customers located in Mainland China during the year.

	2020	2019
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**658,622**	760,245
Services transferred over time	**288,912**	–
Total revenue from contracts with customers	**947,534**	760,245

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period.

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	**318,268**	41,758

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 self-produced 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.

Licensing of the broadcasting rights of outright-purchased drama series

The performance obligation is satisfied as the broadcasting rights are authorised 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, act as a distribution agent and others, and payment is generally due within three months to six months.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**132,075**	316,741

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:

	2020	2019
	RMB'000	*RMB'000*
Government grants – related to income *(note)*	**12,551**	20,396
Bank interest income	**560**	407
Investment income from the co-investment arrangements in drama series	**1,033**	4,125
Interest income from loans receivable	**10,010**	9,415
Gain on disposal of items of property, plant and equipment	**152**	–
Gain on disposal of an associate	**56**	–
Others	**520**	–
	24,882	34,343

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.

5. PROFIT BEFORE TAX

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

		2020	2019
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**692,541**	657,457
Depreciation of property, plant and equipment		**2,511**	1,179
Depreciation of right-of-use assets		**1,883**	945
Amortisation of other intangible assets*	*10*	**29,410**	4
Government grants	*4*	**(12,551)**	(20,396)
Bank interest income	*4*	**(560)**	(407)
Interest income from loans receivable	*4*	**(10,010)**	(9,415)
Changes in fair value of financial liabilities at fair value through profit or loss		**77,657**	14,996
Lease payments not included in the measurement of lease liabilities		**1,385**	1,088
Listing expenses		**24,304**	–
Auditor's remuneration		**2,279**	219
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**4,297**	2,124
Pension scheme contributions		**104**	222
Staff welfare expenses		**131**	343
		4,532	2,689
Gain on disposal of items of property, plant and equipment	*4*	**(152)**	–
Impairment of trade receivables		**6,974**	1,528

* The amortisation of other intangible assets is included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

6. 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 subsidiaries 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.

As stipulated in Cai Shui [2011] No. 112, enterprises newly established in Xin Jiang Kashgar/Horgos special economic areas during the period from 2010 to 2020 could enjoy Enterprise Income Tax ("**EIT**") exemption for five years starting from the year in which the first revenue was generated. Horgos Strawbear enjoyed the benefit under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang《新疆困難地區重點鼓勵發展產業企業所得税優惠目錄》, and was entitled to such EIT exemption for the year ended 31 December 2019. According to the Filing Record of Preferential EIT《企業所得税優惠事項備案表》, Horgos Strawbear obtained the approval from the PRC tax bureau for entitlement of EIT exemption from 1 January 2019 to 31 December 2023.

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. Nova Film is recognised as High and New Technology Enterprises and was entitled to a preferential tax rate of 15% (2019: 15%) during the year. Beijing Strawbear is recognised as Small and Low-profit Enterprises, and the first RMB1,000,000 of assessable profits of this subsidiary is taxed at 5% and the remaining assessable profits is taxed at 10% during the year.

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

	2020	2019
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**34,054**	27,474
Deferred tax	**(3,826)**	(11,902)
Total tax charge for the year	**30,228**	15,572

7. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Dividends	**–**	1,911

The Board has resolved not to recommend payment of a final dividend for the year ended 31 December, 2020 (2019: Nil).

For the year ended 31 December 2019, a subsidiary of the Group, Jiangsu Blue Boiling Point Film and Culture Co., Ltd., which was deregistered on 20 December 2019, declared dividends of RMB1,911,000 to its then shareholder. The dividends with amounts of RMB1,911,000 were paid during the year ended 31 December 2020.

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

The calculation of the basic earnings per share amounts 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 has been retrospectively adjusted for the effect of the Share subdivision on 11 May 2020 on the assumption that the Share subdivision had been in effect on 1 January 2019.

The calculations of basic and diluted earnings per share are based on:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**18,430**	50,032

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**400,000,000**	400,000,000

No adjustment has been made to the basic earning per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of preferred shares and share options granted by the Company had an anti-dilute effect on the basic earning per share amounts presented.

9. GOODWILL

	2020	2019
	RMB'000	*RMB'000*
Cost and carrying amount at beginning of year	**108,341**	–
Acquisition of a subsidiary	**4,642**	108,341
Cost and net carrying amount at end of year	**112,983**	108,341

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

(a) Hangzhou Yide cash-generating unit which is engaged in the production of drama series; and

(b) Nova Film cash-generating unit which is engaged in special effects editing and other post-production work for films and drama series.

The recoverable amounts of the Hangzhou Yide cash-generating unit and Nova Film cash-generating unit have 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, gross profit margin and annual revenue growth rate used to extrapolate the cash flows of the Hangzhou Yide cash-generating unit and Nova Film cash-generating unit beyond the five-year period are as follows:

Hangzhou Yide cash-generating unit

	2020	2019
	%	*%*
Gross profit margin	**14**	14
Terminal growth rate	**3**	3
Pre-tax discount rate	**19.4**	20.9

Nova Film cash-generating unit

	2020
	%
Annual revenue growth rate	**7.5**
Terminal growth rate	**3**
Pre-tax discount rate	**19.6**

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2020	2019
	RMB'000	*RMB'000*
Hangzhou Yide cash-generating unit	**108,341**	108,341
Nova Film cash-generating unit	**4,642**	–
Total	**112,983**	108,341

Key assumptions used in the value in use calculation

The calculation of value in use is based on the following assumptions:

Cash-generating units	**Key assumptions**
Hangzhou Yide	• Gross profit margin and operating expenses • Pre-tax discount rates • Terminal growth rates
Nova Film	• Annual revenue growth rate • Pre-tax discount rates • Terminal growth rates

Gross profit margin and operating expenses – Gross profit margin are based on the average gross profit margin achieved in the year immediately before the budget year and are increased over the budget period for anticipated efficiency improvements. Estimates on operating expenses reflect management's commitment to maintain them at an acceptable level.

Annual revenue growth rate – the predicted revenue growth rate for the five years subsequent to the date of assessment is based on the historical data and management's expectation on the future market.

Pre-tax discount rates – the rates reflect management's estimate of the risks specific to the unit.

Terminal growth rates – the rates are based on published industry research.

The values assigned to the key assumptions on gross profit margin and operating expenses, annual revenue growth rate, discount rates and terminal growth rates are consistent with management's past experience and external information sources.

10. OTHER INTANGIBLE ASSETS

	Software *RMB'000*	Trademarks *RMB'000*	Backlog *RMB'000*	Patents *RMB'000*	Total *RMB'000*
31 December 2020					
At 1 January 2020:					
Cost	**3**	**30**	**42,900**	**–**	**42,933**
Accumulated amortisation	**(3)**	**(10)**	**–**	**–**	**(13)**
Net carrying amount	**–**	**20**	**42,900**	**–**	**42,920**
Cost at 1 January 2020, net of accumulated amortisation	**–**	**20**	**42,900**	**–**	**42,920**
Acquisition of a subsidiary	**382**	**–**	**–**	**12,300**	**12,682**
Amortisation provided during the year	**(110)**	**(3)**	**(28,400)**	**(897)**	**(29,410)**
At 31 December 2020	**272**	**17**	**14,500**	**11,403**	**26,192**
At 31 December 2020:					
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**
31 December 2019					
At 1 January 2019:					
Cost	3	30	–	–	33
Accumulated amortisation	(2)	(7)	–	–	(9)
Net carrying amount	1	23	–	–	24
Cost at 1 January 2019, net of accumulated amortisation	1	23	–	–	24
Acquisition of a subsidiary	–	–	42,900	–	42,900
Amortisation provided during the year	(1)	(3)	–	–	(4)
At 31 December 2019	–	20	42,900	–	42,920
At 31 December 2019:					
Cost	3	30	42,900	–	42,933
Accumulated amortisation	(3)	(10)	–	–	(13)
Net carrying amount	–	20	42,900	–	42,920

11. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**78,631**	60,873
Work in progress	**331,339**	462,944
Finished goods	**446,368**	395,302
	856,338	919,119

12. TRADE AND NOTES RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**443,022**	491,881
Notes receivable	**10,000**	–
	453,022	491,881
Impairment	**(12,291)**	(6,485)
	440,731	485,396

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:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**115,162**	340,901
3 to 6 months	**218,206**	817
6 to 12 months	**2,268**	125,626
1 to 2 years	**86,291**	12,882
2 to 3 years	**4,169**	5,170
Over 3 years	**4,635**	–
	430,731	485,396

13. TRADE PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**238,351**	449,190

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**89,143**	284,097
3 to 6 months	**64,966**	34,075
6 to 12 months	**29,447**	106,040
1 to 2 years	**50,837**	14,770
2 to 3 years	**3,958**	7,920
Over 3 years	**–**	2,288
	238,351	449,190

Included in the trade payables were trade payables of RMB16,083,000 (2019: RMB64,626,000) 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 to 365 days' terms.

14. OTHER PAYABLES AND ACCRUALS

	2020	2019
	RMB'000	*RMB'000*
Amount received under the co-investment arrangements		
– without share of copyrights	**11,517**	1,272
Other payables *(note a)*	**66,085**	84,264
Other tax payables	**26,990**	21,747
Interest payable	**308**	1,370
Payroll and welfare payable	**630**	347
Accrued liabilities	**71,223**	89,773
Contract liabilities *(note b)*	**411,006**	535,762
	587,759	734,535

Notes:

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

(b) Details of contract liabilities are as follows:

	2020	2019
	RMB'000	*RMB'000*
Short-term advances received from customers		
Licensing of the broadcasting rights of self-produced drama series	**77**	142,642
Made-to-order drama series production	**406,793**	393,120
Others	**4,136**	–
Total contract liabilities	**411,006**	535,762

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

Included in contract liabilities are advances received from the Group's related parties of RMB406,793,000 (2019: RMB535,762,000).

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate *(%)*	Maturity	2020 *RMB'000*
Current			
Bank loans – secured *(note a)*	**5.66**	**2021**	**130,000**
Bank loans – secured *(note b)*	**4.35**	**2021**	**10,000**
Bank loans – secured *(note b)*	**4.35**	**2021**	**4,000**
Bank loans – secured *(note b)*	**4.35**	**2021**	**5,000**
Bank loans – unsecured	**5.01**	**2021**	**10,000**
			159,000

	Effective interest rate *(%)*	Maturity	2019 *RMB'000*
Current			
Bank loans – secured *(note c)*	5.66	2020	110,000
Other borrowings – unsecured *(note d)*	10.00	2020	5,000
Other borrowings – unsecured *(note d)*	12.00	2020	10,000
			125,000

	2020 ***RMB'000***	2019 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**159,000**	110,000
Other borrowings repayable:		
Within one year or on demand	**–**	15,000
	159,000	125,000

Notes:

(a) The Group's bank loans are secured by the pledge of certain of the Group's trade receivables amounting to RMB379,791,222 (2019: RMB120,000,000) and short term deposits amounting to RMB30,000,000 (2019: Nil) and are guaranteed by subsidiaries.

(b) The Group's bank loans are guaranteed by a subsidiary.

(c) The shareholder, namely Mr. Liu Xiaofeng, had guaranteed certain of the Group's bank loans up to RMB110,000,000 as at 31 December 2019, which have been fully released in August and November 2020.

(d) The Group's other borrowings as at 31 December 2019 represented the financial investments in certain drama series received from the third party investors and are unsecured and repayable within one year.

16. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On 29 November 2018, the Company issued Series Seed redeemable preferred shares ("**Series A Shares**") to a third party investor, Taurus Holding Ltd. ("**Taurus Holding**"), at a consideration of US$40,000,000 (equivalent to RMB275,461,000). On 21 May 2020, the Company issued and allotted 26,720,000 Series A Shares of a par value of US$0.000025 each to Taurus Holding at a consideration of US$15,139,000 (equivalent to RMB108,250,000).

	Total *RMB'000*
As at 1 January 2019	274,525
Changes in fair value	14,996
As at 31 December 2019 and 1 January 2020	289,521
Issue of preferred shares	108,250
Changes in fair value	77,657
As at 31 December 2020	475,428

The Company has used the Market Approach or Backsolve Method when applicable to determine the underlying share value of the Company and adopted the equity allocation model to determine the fair value of the preferred shares as of the dates of issuance and as at 31 December 2020 and 2019.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019.

Significant unobservable inputs

	2020	2019
Time to IPO	**2021/1/15**	2023/11/29
Time to liquidation/redemption	**2023/11/29**	2023/11/29
Risk-free rate	**1.20%**	2.63%
Equity volatility – IPO	**40%**	41%
Equity volatility – liquidation/redemption	**45%**	41%
DLOM – Series A	**2%**	11%

Quantitative sensitivity analysis

	2020	2019
	RMB'000	*RMB'000*
1 year increase in time to exit event	**183**	(2,150)
1% increase in risk-free rate	**(163)**	(5,435)
1% decrease in risk-free rate	**201**	6,226
10% increase in equity volatility	**70**	(6,794)
10% decrease in equity volatility	**(211)**	4,266
5% increase in DLOM	**N/A**	(16,014)
5% decrease in DLOM	**N/A**	16,014
1% increase in DLOM	**(4,865)**	(3,197)
1% decrease in DLOM	**4,865**	3,197

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The Group is a major drama series producer and distributor in the PRC, principally engaged in the investment, development, production and distribution of TV series and web series. For the year ended December 31, 2020, the Group generated revenue from (i) licensing of broadcasting rights of its self-produced drama series to TV channels, online video platforms and third party distributors; (ii) production of made-to-order drama series per online video platforms' orders; (iii) licensing of broadcasting rights of outright-purchased drama series from online video platforms and drama series producers to TV channels, third party distributors and online video platforms; and (iv) others.

Benefiting from its platform business model and its industry resource integration capability, the Group has ensured the quality of its drama series, which is evidenced by wide recognition of audience. As a result, the Group was granted several awards in 2020, including 2019 Top 10 Outstanding Production Enterprises (2019十大實力出品公司) by TV-insight (電視劇鷹眼) and Golden Phoenix Tree – Top 10 Cultural Enterprises (金梧桐獎—文化企業十強) by Nanjing Culture Industry Association (南京文化產業協會), in recognition of its achievements in business innovation and rapid growth.

The Group's platform business model gives it a competitive advantage over industry peers and empowers it to effectively integrate premium industry sources, such as well-recognized screenwriters, producers, directors and actors, filming and production studios as well as external quality control specialists, into its well-established ecosystem to achieve synergies and industrialization. The Group's industry resource integration capability also ensures the quality and success of its drama series, which is evidenced by their audience reception.

Leveraging the platform business model empowered by its comprehensive middle platform with professional production management and quality control capability, gene of online media and visionary and experienced management team, the Group experienced significant growth in 2020. The Group's revenue increased by 24.5% from RMB765.1 million for the year ended December 31, 2019 to RMB952.4 million for the year ended December 31, 2020. The Group's gross profit increased significantly by 141.4% from RMB107.6 million for the year ended December 31, 2019 to RMB259.8 million for the year ended December 31, 2020. The Group's overall gross profit margin increased significantly from 14.1% for the year ended December 31, 2019 to 27.3% for the year ended December 31, 2020.

The Group believes that the market development of the cultural and entertainment industry in China will have a bright prospect with enormous potential under the background of new economic development and an era of culture output. Looking forward, the Group will continue to adapt to the circumstances with appropriate measures, and take a proactive approach to grasp the opportunities from market development and changes. While continuously deepening its platform business model, the Group attempts to develop and arrange for innovative new business, and unleash the value of the entire industry chain across the cultural and entertainment industry to extend its business in a timely manner, so as to further complement its overall layout in different verticals of the cultural and entertainment industry.

Business Analysis by Business Line

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

The Group continued to strengthen its production and distribution capability in 2020. The Group broadcast three self-produced drama series in 2020, namely The Love Lasts Two Minds (兩世歡), Inside Man (局中人) and Unbending Will (石頭開花). The Group's revenue generated from licensing of broadcasting rights of self-produced drama series slightly decreased by 9.6% from RMB571.4 million for the year ended December 31, 2019 to RMB516.3 million for the year ended December 31, 2020, primarily attributable to the relatively low licensing fees of Unbending Will (石頭開花), a drama series with relatively smaller investment scale, less number of episodes, and lower investment percentage from the Group. Despite the small investment scale, as a drama series of patriotic genre focusing on poverty alleviation, Unbending Will (石頭開花) has gained good market reputation and therefore established a good brand image for the Group.

The Group's gross profit margin for licensing of broadcasting rights of self-produced drama series increased significantly from 11.2% for the year ended December 31, 2019 to 24.4% for the year ended December 31, 2020, primarily because (i) the actors' remuneration for the drama series broadcast in 2020 was substantially reduced pursuant to relevant government policies as compared to those broadcast in 2019; and (ii) online video platform remained relatively stable on their purchase prices of TV series per episode from 2019 to 2020.

The Group will continue to deepen its platform business model to maintain its production capacity in self-produced drama series, while the Group continuously integrates premium industry resources, enhances its quality control management, achieves industrialized production, and improves production efficiency. As of December 31, 2020, the Group had a number of self-produced drama series that were under production or at the pre-production stage, and the Group had one self-produced drama series, which was in post-production stage and expected to be broadcast in 2021.

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

To capture the growth of the online video platforms and diversify its revenue sources, the Group started to undertake drama series production per online video platform's order since 2017. Based on its platform business model, the Group achieved a rapid growth in 2020. The Group delivered three made-to-order drama series, namely Customer First (獵心者) and Marry Me (三嫁惹君心) produced for iQIYI, and Dating In The Kitchen (我，喜歡你) produced for Tencent Video in 2020, compared to nil in 2019. Particularly, Dating In The Kitchen (我，喜歡你) starring Lin Yushen (林雨申) and Zhao Lusi (趙露思) achieved effective view counts of more than one billion in 2020 and became one of the most popular drama series in 2020.

The Group's revenue generated from production of made-to-order drama series increased from nil for the year ended December 31, 2019 to RMB280.2 million for the year ended December 31, 2020, which was in line with the increase of number of made-to-order drama series delivered from 2019 to 2020, and its gross profit margin for made-to-order drama series production was 21.0% for the year ended December 31, 2020. The revenue generated from production of made-to-order drama series accounted for approximately 29.4% of the Group's total revenue in 2020 and is its second largest revenue-generating business line. The Group also considers such business as one of its core growth point.

In recent years, along with the rapid growth of online video platforms in terms of the revenue as well as the investment on video content, the role of online video platforms is more than just a broadcasting channel. In order to enhance its competitive edge and gain more initiative in drama series market, the online video platforms proactively extent the business into the drama series production sectors. It is observed that increasing number of third-party drama series production and distribution companies strengthened their cooperation with online video platforms in the aspect of web series production mainly through producing made-to-order web series for online video platforms. The emergence and development of made-to-order web series create a win-win situation for third-party production companies and online video platforms. Online video platforms are able to make full use of external resources to produce web series while having relatively high degree of participation during the whole process ranging from script creation and production to marketing and distribution, thereby the quality of the works could be ensured. Made-to-order web series positively enrich the content library of online video platforms. Meanwhile, drama series producers could reduce their working capital pressure, to certain extent, at the early stage of the drama series production and secure the production profit by the capital injection or investment from online video platforms, lock the distribution channel of drama series produced at relatively early stage of the whole production and distribution process, and in turn speed up their investment return.

As of December 31, 2020, the Group had three made-to-order drama series, which were in post-production stage and expected to be broadcast in 2021. The Group will keep focusing on the development of made-to-order drama series production.

In the future, the Group will not only continue to strive to expand the breadth and depth of the cooperation with leading distribution channels, but also plan to explore business opportunities with international market players to diversify its revenue resources.

(iii) Licensing of broadcasting rights of outright-purchased drama series from online video platforms and drama series producers to TV channels, third party distributors and online video platforms

The Group distributed and broadcast six outright-purchased drama series in 2020, while the Group distributed and broadcast two outright-purchased drama series in 2019. The Group distributed drama series to all of the top three online video platforms and top TV channels including Jiangsu TV and Beijing TV in 2020. However, the Group's revenue generated from licensing of broadcasting rights of outright-purchased drama series decreased from RMB183.3 million for the year ended December 31, 2019 to RMB108.8 million for the year ended December 31, 2020, primarily because the outright-purchased drama series broadcast in 2019 were mostly first-run broadcast with larger investment scale and popular genre; whereas its outright-purchased drama series broadcast in 2020 were mostly re-run broadcast or with smaller investment scale.

The Group's gross profit margin for licensing of broadcasting rights of outright-purchased drama series increased from 18.7% for the ended December 31, 2019 to 52.1% for the year ended December 31, 2020, primarily because outright-purchased drama series distributed in 2019 were mainly distributed to third party distributors, which generally resulted in lower gross profit margin, whereas the outright-purchased drama series distributed in 2020 were mainly distributed to top three online video platforms, Beijing TV and Jiangsu TV.

As this business line was highly depending on market opportunities that the Group could identify and seize, namely, once the Group finds premium and suitable drama series that needs to be distributed as well as matching distribution channels, it will continuously seek the opportunity to match the distribution channel with the copyright owner of such drama series in the future.

(iv) Others

The Group's other business primarily includes (i) investing in drama series as non-executive producer; (ii) providing IP derivatives opportunities, such as online games, and providing product placement opportunities for advertisers; (iii) special effects editing and other post-production work for films and drama series undertaken by Nova Film, a company the Group acquired as subsidiary in June 2020; and (iv) acting as distribution agent of TV series. In 2020, the Group was entitled to distribute the first-run TV broadcasting rights of a metropolitan romance drama series, Dear Myself (親愛的自己), starring Liu Shishi (劉詩詩) and Zhu Yilong (朱一龍) pursuant to relevant agreement with its copyright owner. As such, the Group provided distribution services for such drama series and charged copyright owner a fixed proportion of licensing fee as distribution service fee. The Group's revenue generated from drama series where it acts as a distribution agent increased from nil for the year ended December 31, 2019 to RMB15.9 million for the year ended December 31, 2020, primarily because the Group distributed Dear Myself (親愛的自己) to Hunan TV in 2020.

Impact of COVID-19

There has been an outbreak of an infectious disease caused by COVID-19. The disease quickly spread within the PRC and globally and materially and adversely affected the global economy. The outbreak has endangered the health of many people residing in China and significantly disrupted travel and the local economy across the country. The development of such epidemic in China is beyond the Group's control. The Group adopted a strict disease prevention scheme to reduce the risk of its employees from infection of COVID-19. The measures implemented include, among others, sterilizing the workplaces twice a day, ventilating the workplaces and monitoring the body temperature of employees twice a day.

The Group does not expect the outbreak of COVID-19 would have a significant impact on its business operations and financial condition primarily because its business activities mainly involve drama series production and the licensing of the broadcasting rights of drama series. Except for on-site filming of its self-produced and made-to-order drama series, the Group's screenwriters, post-production partners and employees can work remotely and communicate with one another through mobile phones, the internet and other media tools to facilitate the progress of each project in a timely manner. Except for the costs in association with drama series production and procurement of the broadcasting rights of outright-purchased drama series, the Group's monthly fixed costs, such as employee benefits expenses and rental expenses are relatively low.

Specifically, in addition to Breath Of Destiny (一起深呼吸), where the production was delayed for approximately 49 days and the Group incurred losses of approximately RMB1.1 million as a result of the spread of COVID-19, there has been no material adverse impact on the on-site filming and/or production of its self-produced and made-to-order drama series. As of December 31, 2020, Breath Of Destiny (一起深呼吸) had completed filming and was in the process of post-production, and the Group had resumed the on-site filming and production of all of its pipeline drama series. The Group's outright-purchased drama series would not be adversely and materially affected as all of them have completed production before the Group procures their broadcasting rights. As COVID-19 has almost been controlled in China, there had been no material adverse impact caused by COVID-19 on the Group's operations and financial performance in 2020.

In the event COVID-19 continues to spread in 2021 or the PRC government authorities prohibit it from filming its self-produced or made-to-order drama series to avoid a new wave of infections, the Group has business contingency plans in place. In particular, (i) as of December 31, 2020, the Group had in aggregate four drama series that were under post-production and to be broadcast by the fourth quarter of 2021, including one self-produced drama series and three made-to-order drama series; (ii) the Group would strive to work closely with its business partners to seek more re-run distribution opportunities for its popular drama series; and (iii) the Group would expand its business of licensing of broadcasting rights of outright-purchased drama series leveraging its strong distribution capability to maintain the Group's results of operations and financial positions.

FINANCIAL REVIEW

Revenue by Business Line

The Group's revenue increased from RMB765.1 million for the year ended December 31, 2019 to RMB952.4 million for the year ended December 31, 2020, primarily attributable to the increase in revenue generated from production of made-to-order drama series in line with its business development in such business line, which was partially offset by the decrease in revenue generated from licensing of broadcasting rights of outright-purchased drama series and licensing of broadcasting rights of self-produced drama series.

(i) Licensing of Broadcasting Rights of Self-produced Drama Series

The Group's revenue generated from licensing of broadcasting rights of self-produced drama series decreased from RMB571.4 million for the year ended December 31, 2019 to RMB516.3 million for the year ended December 31, 2020, primarily attributable to the relatively low licensing fees of Unbending Will (石頭開花) broadcast in 2020, a drama series with relatively smaller investment scale, less number of episodes and lower investment percentage from the Group.

(ii) Licensing of Broadcasting Rights of Outright-purchased Drama Series

The Group's revenue generated from licensing of broadcasting rights of outright-purchased drama series decreased from RMB183.3 million for the year ended December 31, 2019 to RMB108.8 million for the year ended December 31, 2020, primarily because the outright-purchased drama series broadcast in 2019 were mostly first-run broadcast with larger investment scale and popular genre; whereas the outright-purchased drama series broadcast in 2020 were mostly re-run distribution or with smaller investment scale.

(iii) Production of Made-to-order Drama Series

The Group's revenue generated from production of made-to-order drama series increased from nil for the year ended December 31, 2019 to RMB280.2 million for the year ended December 31, 2020, primarily due to the changes in the market conditions and its business strategy. In 2017, the Group commenced the business of made-to-order drama series production which gradually became a main source of content for online video platforms in recent years, and the price of made-to-order drama series increased accordingly. The drama series the Group delivered to online video platforms in 2020 were Customer First (獵心者), Marry Me (三嫁惹君心) and Dating In The Kitchen (我，喜歡你).

(iv) Others

Others primarily comprise revenues from (i) the net licensing fees received from investments in drama series as a non-executive producer; (ii) IP derivatives, such as online games, and product placements for advertisers; (iii) special effects editing and other post-production work for films and drama series generated by Nova Film, a company the Group acquired as subsidiary in June 2020; and (iv) the distribution fee for acting as a distribution agent of TV series Dear Myself (親愛的自己) to Hunan TV in the second half of 2020.

Gross Profit and Gross Profit Margin

The Group's gross profit increased significantly by 141.4% from RMB107.6 million for the year ended December 31, 2019 to RMB259.8 million for the year ended December 31, 2020. The Group's gross profit margin increase to 27.3% for the year ended December 31, 2020 from 14.1% for the year ended December 31, 2019, primarily due to the combined effect of (i) an increase in gross profit margin of self-produced drama series broadcast in 2020, such as Inside Man (局中人) and The Love Lasts Two Minds (兩世歡), attributable to a decrease in the production cost of such drama series; (ii) an increase in the number of made-to-order drama series delivered under its platform business model, which had a gross profit margin of 21.0%; and (iii) outright-purchased drama series distributed in 2019 were mainly distributed to third party distributors, which generally resulted in lower gross profit margin.

Other Income and Gains

Other income and gains decreased by 27.4% or approximately RMB9.4 million from RMB34.3 million for the year ended December 31, 2019 to RMB24.9 million for the year ended December 31, 2020. This was primarily attributable to the decrease in government grants of RMB7.8 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased significantly by 141.7% to RMB81.0 million for the year ended December 31, 2020 from RMB33.5 million for the year ended December 31, 2019, primarily because the number of drama series incurring advertising expenses of over RMB1.0 million increased from four in 2019 to eight in 2020, most of which were distributed to TV channels or online video platforms and the Group undertook the responsibility of promoting such drama series.

Administrative Expenses

The Group's administrative expenses increased by 285.3% to RMB68.0 million for the year ended December 31, 2020 from RMB17.7 million for the year ended December 31, 2019, primarily due to (i) the increase in equity-settled share award expense of RMB10.7 million which represents share-based compensation expense incurred in relation to its Pre-IPO Share Option Scheme in 2020, (ii) the increase in listing expenses of RMB24.3 million, (iii) the increase in impairment loss of RMB5.4 million primarily due to the increase in provision of trade receivables, and (iv) the increase in screenwriting fees of RMB3.4 million due to replacing the screenwriter of On The Stream Of Silence And Loneliness (在寂與寞的川流上).

Income Tax Expense

The Group's income tax expense increased by 94.1% to RMB30.2 million for the year ended December 31, 2020 from RMB15.6 million for the year ended December 31, 2019, primarily due to (i) the increase in taxable profit made in 2020, and (ii) the increase in deferred tax expense which were impacted by the provision of impairment of trade receivable, accrued expenses and amortization of other intangible assets.

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 limitations as an analytical tool, and you should not consider it in isolation from, or as 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 period adjusted by adding back changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expense and/or listing expenses incurred during the respective year. 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 expense 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	
	2020	2019
	RMB'000	*RMB'000*
Reconciliation of net profit to adjusted net profit		
Net profit for the year	**18,192**	50,400
Add:		
Changes in fair value of financial liabilities at fair value through profit or loss	**77,657**	14,996
Equity-settled share award expense	**10,729**	–
Listing expenses	**24,304**	–
Adjusted net profit	**130,882**	65,396

Inventories

The Group's inventories decreased by 6.8% to RMB856.3 million as of December 31, 2020 from RMB919.1 million as of December 31, 2019, primarily due to the decrease in work in progress of RMB131.6 million as the Group completed production of its drama series, Dating In The Kitchen (我，喜歡你) and Marry Me (三嫁惹君心), which were broadcast in 2020. The decrease was partially offset by an increase of finished goods of RMB51.1 million since the Group completed the production of Spirit Realm (靈域) and Breath Of Destiny (一起深呼吸) in 2020 which were yet to be broadcast as of December 31, 2020.

Trade and Notes Receivables

The Group's trade and notes receivables decreased by 9.2% to RMB440.7 million as of December 31, 2020 from RMB485.4 million as of December 31, 2019, primarily due to the decrease in trade receivables of RMB327.3 million for Second Time Is A Charm (第二次也很美) and Love Journey (一場遇見愛情的旅行), partially offset by the increase in trade receivables of RMB275.1 million for Inside Man (局中人), Unbending Will (石頭開花), Dear Missy (了不起的女孩), and Winter Begonia (鬢邊不是海棠紅).

As of December 31, 2019 and 2020, the Group made provisions for impairment of trade receivables of approximately RMB6.5 million and RMB12.3 million, respectively, which the Group believes were sufficient as of the end of each year.

The Group's notes receivables increased from nil as of December 31, 2019 to RMB10.0 million as of December 31, 2020, primarily due to the increase in notes receivables from a top satellite TV channel for the licensing fees of Love Journey (一場遇見愛情的旅行) broadcast in 2019.

Goodwill

The Group's goodwill increased to RMB113.0 million as of December 31, 2020 from RMB108.3 million as of December 31, 2019, primarily due to its acquisition of Nova Film in June 2020.

Other Intangible Assets

The Group's other intangible assets decreased from RMB42.9 million as of December 31, 2019 to RMB26.2 million as of December 31, 2020, primarily due to the amortization of intangible assets of RMB28.4 million for its drama series, The Love Lasts Two Minds (兩世歡), partially offset by the increase in intangible assets of RMB12.7 million as a result of the acquisition of Nova Film.

Trade Payables

The Group's trade payables decreased by 46.9% from RMB449.2 million as of December 31, 2019 to RMB238.4 million as of December 31, 2020, primarily due to the settlement of its payables of RMB194.0 million of Second Time Is A Charm (第二次也很美) and The Love Lasts Two Minds (兩世歡).

Other Payables and Accruals

The Group's other payables and accruals decreased by 20.0% to RMB587.8 million as of December 31, 2020 from RMB734.5 million as of December 31, 2019, primarily due to the decrease in contract liabilities of RMB124.8 million from RMB535.8 million to RMB411.0 million since certain amount of contract liabilities as of December 31, 2019 had been recognized as revenue during the year ended December 31, 2020 for The Love Lasts Two Minds (兩世歡), Marry Me (三嫁惹君心) and Customer First (獵心者) broadcast in 2020.

Financial Liabilities at Fair Value through Profit or Loss

The Group's financial liabilities at fair value through profit or loss increased by 64.2% from RMB289.5 million as of December 31, 2019 to RMB475.4 million as of December 31, 2020, primarily due to the change in the fair value of the preferred shares held by Taurus Holding issued in November 2018 and in May 2020.

CAPITAL STRUCTURE, LIQUIDITY AND CAPITAL RESOURCES

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

On February 7, 2021, the over-allotment option described in the Prospectus was fully exercised in respect of an aggregate of 24,867,000 Shares, representing 15% of the total number of the offer shares initially available under the global offering (before any exercise of the over-allotment option). The over-allotment shares were allotted and issued by the Company at HK$5.88 per Share on February 10, 2021. Immediately after the completion of the issue and allotment of the over-allotment shares, the Company had 687,967,000 ordinary shares of US$0.000025 each. There has been no movement in the issued Shares of the Company since then. For details, please refer to the announcement of the Company dated February 7, 2021.

The Company maintained a healthy financial position in 2020. The Group's total assets decreased from RMB2,052.3 million as of December 31, 2019 to RMB1,859.9 million as of December 31, 2020, whilst the Group's total liabilities decreased from RMB1,857.8 million as of December 31, 2019 to RMB1,635.3 million as of December 31, 2020. The Group's liabilities-to-assets ratio decreased from 90.5% in 2019 to 87.9% in 2020.

Historically, the Group financed its capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings and capital contributions from Shareholders. As of December 31, 2020, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounted to RMB517.9 million and RMB95.6 million, respectively, as compared to RMB300.8 million and RMB52.3 million, respectively, as of December 31, 2019.

As of December 31, 2020, all of the cash and cash equivalents of the Group were denominated in RMB.

The Group believes that its liquidity requirements will 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, 2020, the Group's total interest-bearing bank and other borrowings were approximately RMB159.0 million, all of which were denominated in RMB.

As of December 31, 2020, 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 RMB2.6 million in 2020 from RMB0.1 million in 2019. 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 29.6% for the year ended December 31, 2019 to 8.7% for the year ended December 31, 2020, primarily because its profit for the year decreased significantly while the arithmetic mean of the opening and closing balances of its total equity remained relatively stable from 2019 to 2020.

Return on Assets

The Group's return on assets decreased from 3.2% for the year ended December 31, 2019 to 0.9% for the year ended December 31, 2020, 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 2019 to 2020.

Current Ratio

The Group's current ration increased from 1.19 for the year ended December 31, 2019 to 1.45 for the year ended December 31, 2020, primarily because the decrease in its current liabilities outpaced the decrease in its current assets from 2019 to 2020.

Debt to Equity Ratio[1]

The Group's debt to equity ratio decreased from 118.3% as of December 31, 2019 to 64.2% as of December 31, 2020, primarily due to the decrease in its net debt which was primarily attributable to the decrease in amounts due to a related party and the increase in cash and cash equivalents.

PLEDGE OF ASSETS

As at 31 December 2020, the Group's trade receivables, which had an aggregate net carrying value of approximately RMB379,791,222 (2019: RMB120,000,000), and the pledged deposit amounted to RMB30,000,000 (2019: nil) were pledged to secure the bank loans granted to the Group.

(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%.

FINANCIAL RISKS

Credit Risk

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

To manage its credit risk arising from financial asset at fair value through profit or loss and cash deposits, the Group mainly trades with recognized 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.

Liquidity Risk

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Other than the acquisition of Nova Film, the Group had no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2020.

FINAL DIVIDENDS

The Board has resolved not to recommend payment of a final dividend for the year ended December 31, 2020.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2020, the Group had 81 employees, including 52 based in Jiangsu Province, 24 based in Beijing, 3 based in Xinjiang Uyghur Autonomous Region and 2 based in Zhejiang Province. The following table shows a breakdown of the employees by function as of that date:

Functions	Number of Employees	% of Total Employees
Management	5	6.2%
Production	24	29.6%
Investment	2	2.5%
Distribution	3	3.7%
Marketing and promotion	7	8.7%
Government affairs	1	1.2%
Finance and legal	13	16.0%
Administrative	7	8.7%
Research and development	15	18.5%
Artiste management	4	4.9%
Total	**81**	**100.0%**

For the year ended December 31, 2020, total staff remuneration expenses including Directors' remuneration amounted to RMB16.7 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 and discretionary bonus.

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 announcement, the Group did not experience any strikes or any labor disputes with its employees which have had or are likely to have a material effect on its business.

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

The Group contributes to social security insurance and housing provident funds for its employees in accordance with applicable PRC laws, rules and regulations.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company issued 165,780,000 ordinary shares at HK$5.88 which were listed on the Main Board of the Stock Exchange on January 15, 2021 and issued 24,867,000 ordinary shares at HK$5.88 upon the full exercise of the over-allotment option, which were listed on the Main Board of the Stock Exchange on February 10, 2021. The nominal value of the ordinary Shares is US$0.000025 per Share.

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, which will be utilized in accordance with the purposes as set out in the Prospectus. The following table sets out the intended use of the net proceeds, actual usage up to the date of this announcement as well as the expected timeline for utilization:

	Percentage of the net proceeds from the global offering	Net proceeds from the global offering and utilization			Expected timeline for utilization (1)
		Amount available for utilization *HK$ in million*	Amount utilized *HK$ in million*	Remaining amount *HK$ in million*	
Funding the drama series production of the Group					
Our Destiny In Self-Redemption (浮圖緣)		76.5	–	76.5	In the fourth quarter of 2021
Flying To The Moon (月歌行)		100.8	21.6	79.2	In the first quarter of 2022
Handsome Yong Master (公子傾城)		38.6	4.3	34.3	In the fourth quarter of 2021
Hello Baby (你好寶貝)		57.0	–	57.0	In the second quarter of 2022*
My Mr. Cat (我的貓先生)		68.6	3.1	65.5	In the third quarter of 2021
Steal His Heart (偷走他的心)		68.6	–	68.6	In the first quarter of 2022
The Wind Catcher (捕風者)		87.1	–	87.1	In 2022
Two Capitals (兩京十五日)		252.6	–	252.6	In 2022
Sub-total	70.0%	749.8	29.0	720.8	

* *Due to the change in the shoot progress, the expected timeline for utilization of the net proceeds has been delayed accordingly.*

	Percentage of the net proceeds from the global offering	Net proceeds from the global offering and utilization			Expected timeline for utilization (1)
		Amount available for utilization	Amount utilized	Remaining amount	
		HK$ in million	*HK$ in million*	*HK$ in million*	
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	10.0%	107.1	–	107.1	Around 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	10.0%	107.1	–	107.1	Around 2023
Working capital and general corporate purposes	10.0%	107.1	107.1	–	
Total	**100.0%**	**1,071.1**	**136.1**	**935.0**	

Note:

(1) The expected timeline for the usage of the remaining 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.

During the period from the Listing Date to the date of this announcement, the Group has utilized net proceeds of approximately HK$136.1 million from the global offering. The remaining net proceeds were deposited in banks as of the date of this announcement. The Group will gradually utilize the proceeds from the global offering in accordance with the intended purposes as set out in the Prospectus.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the section headed "Use of Proceeds from Global Offering" in this announcement, the Group did not have any other immediate plans for material investment and capital assets as at the date of this announcement. 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.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

As the Shares of the Company were not listed on the Stock Exchange during the year ended December 31, 2020, the CG Code was not applicable to the Company during that period, but has become applicable to the Company since the Listing Date. The Board considered that the Company has complied with applicable code provisions set out in the CG Code since the Listing Date except for paragraph A.2.1 of the CG Code.

Pursuant to code provision A.2.1 in the CG Code as set out in 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 of the Board 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 upon Listing, 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 of the Board 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 Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

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 his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

As the Shares of the Company were not listed on the Stock Exchange during the year ended December 31, 2020, related rules under the Model Code that Directors shall observe did not apply to the Company during that period. 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 for the period from the Listing Date to the date of this announcement. 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 for the period from the Listing Date to the date of this announcement.

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

The Shares were not listed on the Stock Exchange during the year ended December 31, 2020. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to the date of this announcement.

MATERIAL LITIGATION

As of the date of this announcement, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% 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 period from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. 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), Mr. WANG Jun and Mr. CHUNG Chong Sun. The main duties of the Audit Committee are to assist the Board in reviewing compliance, accounting policies and financial reporting procedures; 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.

The Audit Committee has, together with the management, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements of the Group for the year ended December 31, 2020, and has recommended for the Board's approval thereof.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The financial information set out in this announcement is based on the consolidated financial statements for the year ended 31 December 2020 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

EVENTS AFTER THE REPORTING PERIOD

On January 15, 2021, the Company was listed on the Main Board of the Stock Exchange and made a global offering of 165,780,000 ordinary shares (excluding any ordinary shares issued pursuant to the exercise of the over-allotment option) at a price of HK$5.88 per share.

Pursuant to the over-allotment option described in the Prospectus, the Company allotted and issued 24,867,000 additional offer shares on February 10, 2021 at the offer price of HK$5.88 per share.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, June 25, 2021. A notice convening the AGM will be published on the Company's website and "HKExnews" of the Stock Exchange and despatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, June 22, 2021 to Friday, June 25, 2021, both days inclusive. During such period, no transfer of Shares of the Company will be registered. The record date for determining the eligibility to attend the forthcoming AGM to be held on Friday, June 25, 2021 will be Friday, June 25, 2021. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, June 21, 2021.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on "HKExnews" of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.strawbearentertainment.com), and the 2020 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of "HKExnews" of the Stock Exchange and the Company on or before April 30, 2021.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS AND GLOSSARIES

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

"AGM"	annual general meeting of the Company
"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
"Board" or "Board of Directors"	the board of Directors of the Company
"broadcasting right"	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 announcement
"CG Code"	the Corporate Governance Code as set out in 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 announcement and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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

"COVID-19"	novel coronavirus pneumonia
"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
"first-run broadcast" or "first-run"	the first round broadcast of a drama series on the TV channel or online video platform
"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 and cents respectively, 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
"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

"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
"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
"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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Liu"	Mr. LIU Xiaofeng (劉小楓), chairman of the Board, an executive Director, the chief executive officer of the Company, one of its controlling 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
"Nova Film"	Nova Film Technology (Jiangsu) Co., Ltd. (諾華視創電影科技(江蘇)有限公司), a limited liability company established in the PRC on May 29, 2015 and indirectly controlled by the Company through the Contractual Arrangements

"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 summarized in "Appendix IV – Statutory and General Information – D. Other Information – (1) Pre-IPO Share Option Scheme" in the Prospectus
"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
"Reporting Period"	the twelve-month period from January 1, 2020 to December 31, 2020
"RMB" or "Renminbi"	the lawful currency of the PRC
"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
"top three online video platforms"	iQIYI (愛奇藝), Tencent Video (騰訊視頻) and Youku (優酷), three leading online video platforms with market share collectively accounting for approximately 83.6% of the drama series market in the PRC in terms of the revenue in 2019
"TV"	television
"TV series"	a series of scripted episodes that needs to obtain a distribution license from the National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), which are broadcast on TV channels and/or new media channels such as online video platforms
"web series"	a series of scripted episodes which can only be broadcast on new media channels such as online video platforms

In this announcement, unless otherwise indicated, the terms "affiliate", "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.

By order of the Board of Directors
Strawbear Entertainment Group
LIU Xiaofeng
Chairman

Nanjing, PRC, March 29, 2021

As of the date of this announcement, the Board comprises Mr. LIU Xiaofeng, Ms. ZHANG Qiuchen, Mr. CHEN Chen and Ms. ZHAI Fang as executive Directors, Mr. WANG Xiaohui and Mr. WANG Jun as non-executive Directors, and Mr. ZHANG Senquan, Mr. MA Zhongjun and Mr. CHUNG Chong Sun as independent non-executive Directors.