2021年報
ANNUAL REPORT

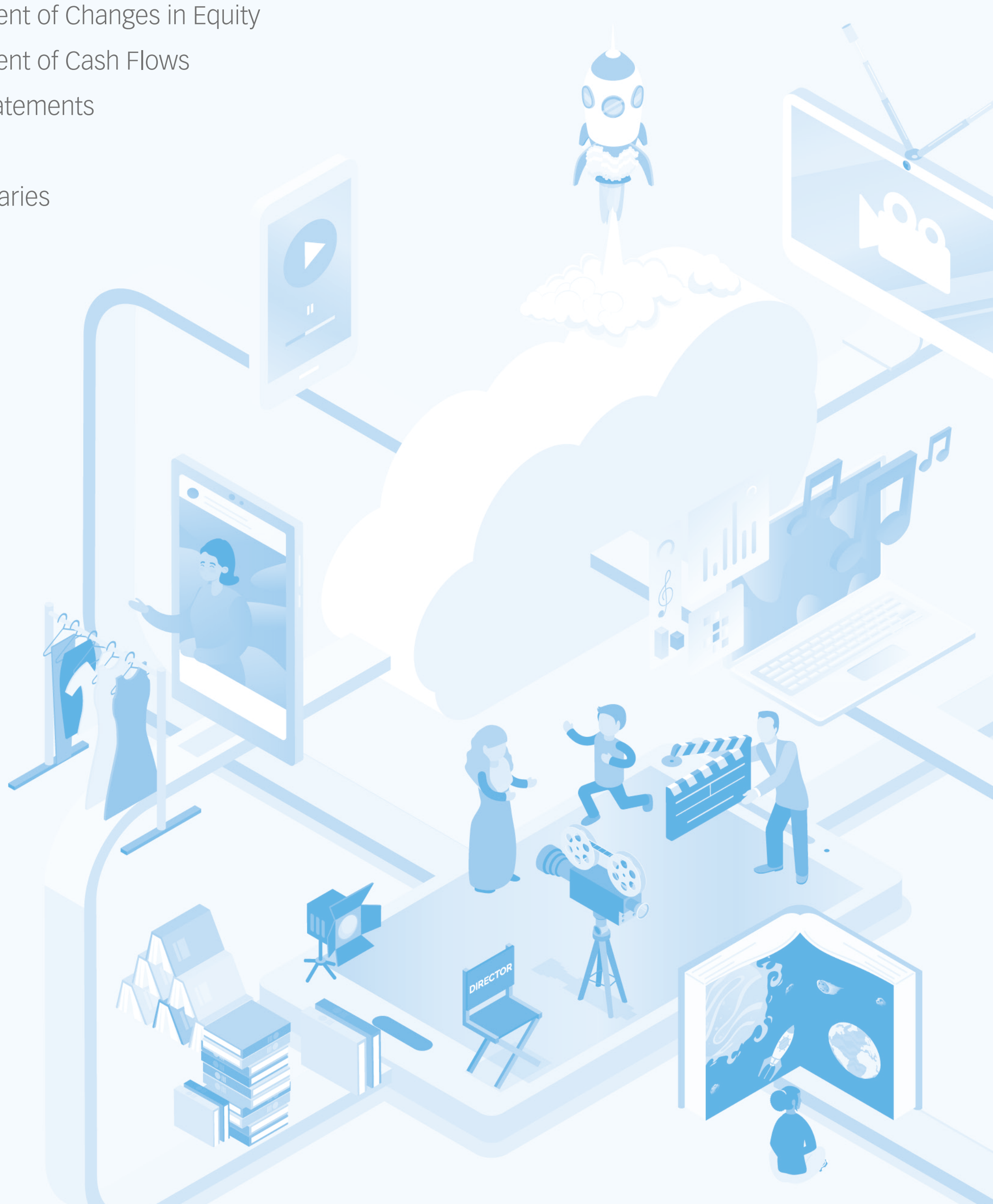
稻草熊娛乐集团
STRAWBEAR ENTERTAINMENT GROUP
於開曼群島註冊成立之有限公司
INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

股份代號
STOCK CODE
2125

稻草熊 STRAWBEAR | 彼之所乐，我之所幸

CONTENTS

2	Corporate Information
4	Chairman's Statement
9	Management Discussion and Analysis
28	Directors and Senior Management
36	Environmental, Social and Governance Report
60	Directors' Report
95	Corporate Governance Report
109	Independent Auditor's Report
114	Consolidated Statement of Profit or Loss and Other Comprehensive Income
115	Consolidated Statement of Financial Position
117	Consolidated Statement of Changes in Equity
118	Consolidated Statement of Cash Flows
121	Notes to Financial Statements
212	Financial Summary
213	Definitions and Glossaries



CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Wang Xiaohui
Mr. Wang Jun *(resigned on April 27, 2021)*
Ms. Zeng Ying
(appointed on April 27, 2021
and 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)*
Mr. Wang Jun *(resigned on April 27, 2021)*
Ms. Zeng Ying
(appointed on April 27, 2021
and 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)*

AUTHORIZED REPRESENTATIVES

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

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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103 South Church Street
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Grand Cayman, KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

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PRINCIPAL BANKERS

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PRC

AUDITOR

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

HONG KONG LEGAL ADVISOR

Tian Yuan Law Firm LLP
Suites 3304-3309, 33/F
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One Connaught Place
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COMPLIANCE ADVISOR

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Wanchai, Hong Kong

STOCK CODE

2125

COMPANY'S WEBSITE

www.strawbearentertainment.com

CHAIRMAN'S STATEMENT

I am pleased to present our shareholders with the annual report of the Company for the year ended December 31, 2021. Strawbear Entertainment has stepped into a new phase of corporate development since its listing on January 15, 2021, actively embracing the new opportunities and challenges brought by the listing, further deepening its platform business model, optimizing its content ecosystem and committing to bringing more quality content to the public.

BUSINESS HIGHLIGHTS

1) Driving both quantity and quality growth with platform operation

In 2021, benefiting from the enhanced brand influence and sufficient capital reserves brought by its successful listing, the Group was able to rapidly expand the depth and range of resource integration under the platform business model. Driven by both the rapid gathering of quality resources and the continuous improvement of internal quality control capabilities, the Group has embraced diversified and inclusive content with the goal of long-term growth and innovation, and was cautiously optimistic in its continuous exploration and comprehensive layout of content segments and new content formats. The Group's business operation model and unique understanding of the openness of premium resource ownership has given it a competitive advantage in the industry, driving both quantity and quality growth in content and further promoting the network effect across the platform.

In 2021, the Group, as the main/sole investor and executive producer, invested in and produced 8 drama series, including The Bachelors (追愛家族) (a modern metropolitan drama series starring Guo Jingfei (郭京飛), Jia Nailiang (賈乃亮), Tan Zhuo (譚卓) and Xiong Ziqi (熊梓淇)); My Girlfriend is The Antidote (我的女友是解藥) (a modern metropolitan drama series starring Jia Yi (嘉羿) and Jin Zixuan (金子璇)); Our Destiny In Self-Redemption (浮圖緣) (a period fantasy drama series starring, among others, Wang Hedi (王鶴棣), Chen Yuqi (陳鈺琪)); Cat & Thief (鬥賊) (a crime comedy starring, among others, Huang Jingyu (黃景瑜) and Xiu Rui (修睿)); Legend of Bikini (乘風踏浪) (a modern metropolitan drama series starring Qiao Shan (喬杉) and Yang Zishan (楊子姍)); Never Too Late (我的助理六十歲) (a modern metropolitan drama series starring Wang Ziwen (王子文), Deng Jie (鄧婕) and Bai Jingting (白敬亭)); Welcome (請君) (a fantasy mystery drama series starring Ren Jialun (任嘉倫) and Li Qin (李沁)); and Never Give Up (今日宜加油) (a metropolitan comedy starring Zheng Kai (鄭愷), Wang Hedi (王鶴棣) and Chen Yuqi (陳鈺琪)). This represents a 100% increase compared with 4 drama series produced in 2020, which was mainly attributable to the scale effect from the deepening of the Group's platform business model.

The Group has been committed to bringing higher quality content to the public while rapidly increasing the volume. By closely monitoring the market situation and industry trends, the Group constantly adjusted its business development strategy in a timely manner and improved its internal quality control to evaluate the brand effect and commercial value of the developed contents, so that the Group can quickly adapt to the continuously changing content demand in line with the development of new industry trends, with clear positioning of the drama series, striving to create excellent works that can meet the double-high standards or high-quality content targeting precise user profiles.

BUSINESS HIGHLIGHTS (CONT'D)

2) Continuously deepening the layout of the entire industry chain resources

In 2021, the Group continued to expand and deepen the layout of quality industry resources. The Group's professional business service capability, forward-looking business judgment and integration of owning, managing and operating premium IPs and resources have attracted many excellent artists to join the ecological closed loop of content production. The Group attached great importance to the cooperation with excellent art creation teams and artists, respected art content creation and creative ideas, and relied on the "comprehensive middle platform" service capability and content ecological platform to commercialise art content, achieving a win-win situation.

The Group has actively expanded and maintained long-term and stable cooperation with excellent partners and artists. In 2021, the Group established several joint-investment companies with excellent director and screenwriter teams in the industry, to jointly develop quality works and acquire premium content with diversified development potential and commercial value from the source. The Group also adopted the restricted share unit scheme on September 15, 2021. The grantees participating in the restricted share unit scheme include business partners, such as directors, screenwriters and other excellent artists, who the Group believes have made or will make contributions to the Group, with the aim of providing additional rewards to top artists who are scarce resources in the industry and play an important role in the production of the Group's drama series projects. This is to effectively motivate artists who have maintained long-term relationships with the Group and to further attract industry talents and top artists to promote the Group's development.

The Group believes that excellent industry players are the driving force that enables the Group to continue to create quality content.

3) Continuously accumulating IP reserves and optimising IP structure

The Group continuously accumulated a rich variety of IP reserves and optimised its IP structure, taking advantage of its resources to actively seek and accumulate quality IP resources. At the same time, the Group attached importance to the continuous development of IPs, continuously strengthened the evaluation dimension and market sensitivity of its content evaluation team, and focused on the quality and stable quantity of IP development.

As of December 31, 2021, in addition to the drama series broadcast and to be broadcast, the Group had engaged screenwriters to create 13 original IPs based on initial ideas and 40 adapted IPs based on licensed IPs, including teen drama, office drama, family drama, comedy, history, period romance and other themes. The Group has also strengthened its control over the quality and conversion rate of IP development content while its IP reserve keeps increasing.

The Group believes that rich, diversified and premium IP reserves are the source from which the Group can continue to create quality content.

FINANCIAL HIGHLIGHTS

The Group's revenue increased by 78.8% year-on-year from RMB952.4 million in 2020 to RMB1,703.1 million in 2021.

The Group's gross profit increased by 98.7% year-on-year from RMB259.8 million in 2020 to RMB516.2 million in 2021.

The Group's profit for the year increased by 831.1% year-on-year from RMB18.2 million in 2020 to RMB169.4 million in 2021.

The Group's adjusted net profit[1] increased by 48.3% year-on-year from RMB130.9 million in 2020 to RMB194.1 million in 2021.

OUTLOOK

Looking forward, the Group will focus on the three major directions of content ecology, organic growth and external expansion to drive the Group's sustainable growth, upgrade its content positioning and quality, and promote the extension of its content ecological chain.

1) Emphasis on organic growth and strict control of content quality

With a deepening platform business model, improving service capability of its "comprehensive middle platform", the enrichment of industry resources and the growing influence of the brand, the Group has achieved higher quantity and quality of the projects invested and produced in 2021. In the future, the Group will strive to maintain a virtuous cycle in content production capacity and quality, and firmly place quality improvement as the lifeline of producing contents. Based on the existing efficient and scale operation model, we will enhance the rate of quality content and achieve virtuous transformation of content.

The Group will continue to enhance the spiritual power, cultural connotation and artistic value of works in different types of segments, adhere to the integrity and innovation in its works, keep pace with the times and create the best works of the times. The Group strives to combine the spirit of Chinese aesthetics with contemporary aesthetic pursuits, and create more excellent works that conform to contemporary values and highlight the aesthetic interests of national culture.

In the short term, the Group will develop and produce content with a focus on realistic themes and take a variety of subjects into account. The Group also has abundant content reserves and plans to start shooting on realistic themes. For example, the Group started shooting Hello Beautiful Life (心想事成) starring Mao Xiaotong (毛曉彤), Zhang Li (張儷) and Li Zefeng (李澤鋒), and Summer Flowers (夏花) starring Yan Chengxu (言承旭) and Xu Ruohan (徐若晗) in 2022, with a number of other drama series under preparation. In addition, the Group will actively expand into new content segments. For example, the Group's Never Give Up (今日宜加油), which started shooting in 2021, is an attempt to explore the metropolitan comedy segment.

In the long term, the Group will further strengthen its service capability for "comprehensive middle platform" as well as content development, production management and resource integration capabilities with an all-embracing attitude for internal improvement, striving to enhance the rate of quality content, actively expand diversified content segments and develop drama series and brands.

1 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 in the respective years.

OUTLOOK (CONT'D)

2) Active development of business partners

In the future, the Group will regard quality content as its core resource and leverage its enduring value to strengthen the Group's position in the content ecosystem, continue to provide efficient interactive platforms and solutions for business partners and customers, and actively explore innovation in business models, thereby further expanding and acquiring new business partners and customers, which will lead to an optimised customer structure for the Group.

3) Continuous exploration of quality industry talents and artists

The Group will continue to seek cooperation with outstanding industry talents and artists in the industry chain, maintain long-term and stable relationships with them through the provision of professional operation and management services and diversified incentive mechanisms, so as to attract them to the Group's content ecosystem and empower the production of quality content.

In addition, the Group will continue to explore the business and/or equity cooperation with outstanding content providers in the content segments. In December 2021, the Group signed a non-legally binding term sheet of intent to acquire 100.0% equity interest in Shanghai GH Entertainment & Media Co. Ltd., (上海金禾影視傳播有限公司), a premium content production company focusing on the metropolitan emotion content, with the aim of entering into long-term strategic cooperation with it to improve the content ecological layout of the entire industry chain. The Group will continue to explore and pursue long-term cooperation with outstanding content providers.

The Group will embrace outstanding talents and artists from the entire industry chain and provide them with a better creation environment and stimulate their creative talent with its quality "comprehensive middle platform" service capability and diversified cooperation models, so as to continuously enrich the Group's content resource ecology and contribute to organic growth.

4) Active expansion into new segments

The Group will further explore its new business layout within the culture and entertainment industry to achieve diversified monetisation. In the future, the Group will tap into D2C content segments, actively expand into overseas content markets and the OST segment. In 2021, the Group has already reserved/invested to produce a number of D2C contents which will be broadcast in accordance with business process. The Group will continue to explore derivative opportunities from its industry ecology to achieve synergistic development.

ACKNOWLEDGEMENT

Last but not least, on behalf of the Board, I would like to express our heartfelt thanks to the Company's management team and all of our staff for their unremitting efforts, close collaboration 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, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is a major content producer and distributor in the PRC, principally engaged in the investment, development, production and distribution of TV series, web series and films. In 2021, the Group was successfully listed on the main board of the Stock Exchange. Benefited from the resource integration capability and brand influence enhanced by the listing and making the best of the Group's platform business model, the Group has entered a new stage of rapid development this year.

In 2021, as the market environment kept evolving, the Group established a close connection among platforms, content, business partners and artists through its platform business model, made decisions in a forward-looking manner, and timely adjustment in its development strategies, so as to adapt to the rapidly changing and increasing demand on quality content, and position itself to harness continued growth. Therefore, the Group took advantage of its strength on resources and quality control empowered by the "comprehensive middle platform" under its platform business model to rapidly connect the high-quality resources in various parts of the industrial chain. Leveraging on its professional service capability in content commercialisation and its ever-enhancing resources and content ecosystem in the industry, the Group has realised simultaneous growth in content production and content broadcasting.

The Group's content production capacity 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 five 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 "Golden Phoenix Tree Award – Top 10 Digital Cultural Enterprises" (金梧桐獎 – 數字文化企業十強) for 2021 by the Nanjing Cultural Industry Association in recognition of the Group's business upgrade and rapid growth.

The Group will continue to aim to provide the public with diversified, eye-catching and exciting content and, by developing both internal and external execution capability, devote itself to promote correct values and create high-quality content.

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, 2021, the Group had produced and/or distributed but yet to broadcast four TV series and four 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, 2021	Expected Broadcasting Time
TV series						
The Bachelors (追愛家族)	Metropolitan	Ma Ming (馬鳴), Guo Jingfei (郭京飛), Jia Nailiang (賈乃亮), Tan Zhuo (譚卓), Xiong Ziqi (熊梓淇)	Production and distribution	Original	Post-production	2022
Cat & Thief (鬥賊)	Crime	Gong Zhaohui (龔朝暉), Huang Jingyu (黃景瑜), Xiu Rui (修睿)	Production and distribution	Adaptation	Post-production	2022
Legend of Bikini (乘風踏浪)	Metropolitan	Zhang Silin (張思麟), Qiao Shan (喬杉), Yang Zishan (楊子姍)	Production and distribution	Original	Post-production	2022
Never Too Late (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	2022
Web Series						
Flying To The Moon (月歌行)	Period Legend	Lin Jianlong (林健龍), Zhang Binbin (張彬彬), Xu Lu (徐璐)	Production	Adaptation	Post-production	2022
My Girlfriend is The Antidote (我的女友是解藥)	Metropolitan	Ma Ming (馬鳴), Jia Yi (嘉羿), Jin Zixuan (金子璇)	Production and distribution	Original	Post-production	2022
Our Destiny In Self-Redemption (浮圖緣)	Period Legend	Wu Qiang (吳強), Wang Hedi (王鶴棣), Chen Yuqi (陳鈺琪)	Production and distribution	Adaptation	Post-production	2022
Welcome (請君)	Period Legend	Zheng Weiwen (鄭偉文), Ren Jialun (任嘉倫), Li Qin (李沁)	Production	Adaptation	Post-production	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, 2021, the Group owns 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, 2021	Time of Public Record
TV series				
Never Give Up (今日宜加油)	Comedy	The Group	Under production	2021
Hello Beautiful Life (心想事成)	Metropolitan	Jointly owned with its co-investor	Pre-production	2020
In The Name Of Handsome (以英俊之名)	Metropolitan	The Group	Pre-production	2021
My Mr. Cat (我的貓先生)	Metropolitan	The Group	Pre-production	2020
Love is a Thief (謝你不娶之恩)	Metropolitan	The Group	Pre-production	2020
She's the Prosecutor (她是檢察官)	Metropolitan	Jointly owned with its co-investor	Pre-production	2020
Web Series				
Kunio Warriors Of Sky And Song (天行九歌之國士無雙)	Period Legend	The Group	Pre-production	2021
Summer Flower (夏花)	Metropolitan	The Group	Pre-production	2021
Romance of Two Kingdoms in East Yangtze (鳶弈長洲)	Period Legend	Jointly owned with its co-investor	Pre-production	2020
Diary on Wage Hike (加薪日記)	Metropolitan	The Group	Pre-production	2020

Business Analysis by Business Line

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

In 2021, the Group achieved simultaneous growth in terms of drama series having been broadcast and to be broadcast for its business of licensing of the broadcasting rights of drama series.

The Group broadcast 15 drama series in 2021, including The Forerunner (前行者), My Bargain Queen (我的砍價女王), representing an increase of 66.7% as compared to 9 drama series having broadcast in 2020. The revenue generated form the Group's licensing of the broadcasting rights of drama series increased significantly from RMB625.1 million for the year ended December 31, 2020 to RMB1,107.2 million for the year ended December 31, 2021, representing an increase of 77.1%.

With the continuous deepening of the platform business model and empowered by its high-quality industry resources, the Group has rapidly increased its efficiency in production and distribution. For example, the production of The Forerunner (前行者)[(1)], a drama series produced and distributed by the Group, was started filming in October 2020, and the whole process from filming to post-production and distribution was completed in less than 12 months. This drama series was broadcast in October 2021, which features a breathtaking story of the battle of wits between the firm and advancing revolutionaries and secret agents in the early 1930s, and also received a good broadcasting effect. The Group will also continue to explore the way to create a virtuous cycle between its production capacity and the product quality in order to improve the quality of its drama series.

(1) The name of the drama series Party Group (黨小組) had been changed to The Forerunner (前行者) from October 2021.

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)

In addition, the Group has a strong pipeline of high quality and variety of drama series to be broadcast in the near future, including The Bachelors (追愛家族), a modern metropolitan drama series about a family's courageous pursuit of love, which closely reflects the contemporary metropolitan life; Cat & Thief (鬥賊), a crime comedy about the battle of wits between a detective and the "king of thieves"; and Never Too Late (我的助理六十歲), a modern metropolitan drama series about two generations of people encouraging each other, actively pursuing self-realisation, and bravely changing their lives.

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

In 2021, the Group recorded a stable delivery for its made-to-order drama series production business, with three made-to-order drama series delivered in the year, the same as in 2020. However, the investment scale for the delivered made-to-order drama series was substantially larger. Compared with the drama series delivered in 2020, the investment scale for the dramas delivered this year, such as Spirit Realm (靈域) and Breath Of Destiny (一起深呼吸), was relatively larger, leading to a significant increase of the revenue generated from the production of made-to-order drama series of the Group by 92.8% from RMB280.2 million for the year ended December 31, 2020 to RMB540.2 million for the year ended December 31, 2021.

The Group has been actively attempting to weave various elements into its drama series. For instance, a large number of special effects was added to Spirit Realm (靈域), a fantasy drama series delivered this year, in the filming and post-production stage to create a spirit realm world; while Breath Of Destiny (一起深呼吸), which was delivered this year, is a foreign aid medical group drama series, which told the story about how Chinese doctors dispatched for foreign medical aid keep their professionalism and show the nation's image under harsh circumstances and environment. The Group's gross profit margin for production of made-to-order drama series decreased from 21.0% for the year ended December 31, 2020 to 5.3% for the year ended December 31, 2021, primarily caused by the higher cost of special effects added to Spirit Realm (靈域).

The Group will continue to seise the opportunities brought from the innovation in the business cooperation mode of the online platform, steadily develop its production of made-to-order drama series business, and continue to explore the way to upgrade the quality and innovation of the content while maintaining its existing level of production. As of December 31, 2021, the Group had a number of drama series that were in post-production or production stage, including Welcome (請君), a Republican era fantasy romance drama series, and Flying To The Moon (月歌行), a period fantasy romance drama series.

(iii) Others

The Group's other business primarily includes (i) special effects editing and other post-production work for films and drama series undertaken by Nova Film, a subsidiary of the Group before its disposal on November 26, 2021 (for details, please refer to the announcement of the Company dated November 26, 2021); (ii) assignment of copyright of IP license(s) held by the Group to the independent third party/parties; (iii) providing product placement opportunities for advertisers; (iv) investing in drama series as a non-executive producer; and (v) awards for drama series.

OUTLOOK

Looking forward, the Group believes that its platform is highly adaptable to the changing content ecosystem and well positioned for continued growth. With the technological innovation and the increasing demand for high-quality content forms, the Group will put more focus on content creation and production with its own IP, and continue to enhance and build the brand effect and commercial success of a single product. With its accurate judgment on the market environment, its forward-looking positioning on the content segments and the strict evaluation system for content quality, the Group is able to continue to improve the quality and reputation of its content output, and actively expand the forms of cooperation and attract new business partners. The Group will make effort to identify high-calibre talents and artists in the industry and maintain stable cooperation with them, continue to take advantage of its extensive platform integration capabilities and its intensive professional service capabilities to reinforce its cooperation with existing talents and artists in the industry, while attracting more outstanding and development-oriented partners. The Group will also strive for developing original and serialised IP works, and actively explore to broaden its presence in the whole industry chain on the basis of its IP operation; actively expand into new segments in cultural and entertainment industry, explore to realise diversified monetization opportunities and revenue model. The Group will also expand its presence in cultural and entertainment industry with enhanced quality of the content through its platform, ecosystem and diversification in order to achieve its development goal of long-term growth and innovation.

As of the date of this report, as the spread of COVID-19 has still occurred in China, the Group will continue to put corporate social responsibility as top priority and actively take measures to fight against the pandemic, observe pandemic prevention requirements and practice social responsibility.

The Group is determined to make great strides forward hand in hand with industry participants.

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. However, the Chinese government adopted several effective measures to curb spread of the outbreak. At the same time, the Group also adopted a strict disease prevention scheme to reduce the risk of its employees from infection of COVID-19.

For the whole year of 2021, the spread of COVID-19 in China still occurred but the recurrence did not materially and adversely affect the cost of the drama series being filmed by the Group and did not have material adverse impact on the operation, financial condition, and cash flows of the Group.

If COVID-19 continues to spread in 2022 or the PRC government authorities prohibit the Group from filming its drama series to avoid a new wave of infections, such events may cause the filming drama series suspended and the process of drama series at pre-production stage delayed, and in turn affect the business operations and financial position of the Group.

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 and films production and the licensing of the copyrights of drama series and films. 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. Except for the costs in association with drama series and films, the Group's monthly fixed costs, such as employee expenses and rental expenses are relatively lower.

IMPACT OF COVID-19 (CONT'D)

The Group will adhere to take 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.

2021 FINANCIAL REVIEW

Consolidated statement of profit or loss

	Year ended December 31,	
	2020	2021
	RMB in thousands	
REVENUE	952,362	**1,703,064**
Cost of sales	(692,541)	**(1,186,879)**
Gross profit	259,821	**516,185**
Other income and gains	24,882	**44,145**
Selling and distribution expenses	(80,972)	**(227,353)**
Administrative expenses	(61,043)	**(56,578)**
Impairment of trade receivables, net	(6,974)	**(6,460)**
Other expenses	–	**(1,235)**
Finance costs	(9,944)	**(22,008)**
Share of profits or losses of:		
Joint ventures	307	**1,904**
Associates	–	**(831)**
Changes in fair value of financial liabilities at fair value through profit or loss	(77,657)	**(1,610)**
PROFIT BEFORE TAX	48,420	**246,159**
Income tax expense	(30,228)	**(76,781)**
PROFIT FOR THE YEAR	18,192	**169,378**
Attributable to:		
Owners of the parent	18,430	**169,249**
Non-controlling interests	(238)	**129**
	18,192	**169,378**
***NON-HKFRS MEASURE*[1]:**		
Adjusted net profit[2]	130,882	**194,137**

2021 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 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.

(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 increased from RMB952.4 million for the year ended December 31, 2020 to RMB1,703.1 million for the year ended December 31, 2021, primarily attributable to the significant increase in revenue generated from licensing of the broadcasting rights of drama series and production of made-to-order drama series in line with its business development in such business lines to produce and distribute high-quality drama series.

	Year ended December 31,			
	2020		**2021**	
	(RMB in thousands, except percentages of revenue)			
Licensing of the broadcasting rights of drama series	625,084	65.6%	**1,107,249**	**65.0%**
Made-to-order drama series production	280,189	29.4%	**540,188**	**31.7%**
Others	47,089	5.0%	**55,627**	**3.3%**
Total	952,362	100.0%	**1,703,064**	**100.0%**

2021 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 broadcasting rights of drama series increased from RMB625.1 million for the year ended December 31, 2020 to RMB1,107.2 million for the year ended December 31, 2021, primarily due to the increase in the number of drama series broadcast in 2021. The Group broadcast 15 drama series in 2021, including The Forerunner (前行者), My Bargain Queen (我的砍價女王), representing an increase of 66.7% as compared to 9 drama series broadcast in 2020.

Made-to-order drama series production

The Group's revenue generated from production of made-to-order drama series increased from RMB280.2 million for the year ended December 31, 2020 to RMB540.2 million for the year ended December 31, 2021. The Group delivered three made-to-order drama series in 2021, which was same as in 2020. However the investment scale for the delivered made-to-order drama series, such as Spirit Realm (靈域) and Breath Of Destiny (一起深呼吸), was substantially larger than in 2020.

Others

Others primarily comprise revenues from (i) 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 disposed in November 2021; (ii) the assignment fee received from the copyright of an IP license; (iii) product placements for advertisers; (iv) the net licensing fees received from investments in drama series as a non-executive producer; and (v) awards for drama series.

Gross Profit and Gross Profit Margin

The Group's gross profit increased significantly by 98.7% from RMB259.8 million for the year ended December 31, 2020 to RMB516.2 million for the year ended December 31, 2021. The Group's gross profit margin increase to 30.3% for the year ended December 31, 2021 from 27.3% for the year ended December 31, 2020, primarily due to the combined effect of (i) a decrease in the production cost of drama series through taking advantage of the Group's extensive platform integration capabilities; (ii) an increase of gross profit margin of licensing of broadcasting right of drama series due to market opportunities; and offset by (iii) a relatively lower gross profit margin of Spirit Realm (靈域), mainly attributable to a higher post-production cost of such fantasy genre.

The following table sets forth the Group's profit margin by business line in 2020 and 2021:

	Year ended December 31,			
	2020		**2021**	
	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	182,582	29.2%	**482,334**	**43.6%**
Made-to-order drama series production	58,742	21.0%	**28,520**	**5.3%**
Others	18,497	39.3%	**5,331**	**9.6%**
Total	259,821	27.3%	**516,185**	**30.3%**

2021 FINANCIAL REVIEW (CONT'D)

Other Income and Gains

Other income and gains increased by 77.4% or approximately RMB19.3 million from RMB24.9 million for the year ended December 31, 2020 to RMB44.1 million for the year ended December 31, 2021. This was primarily attributable to the increase in government grants of RMB14.4 million and the increase in bank interest income of RMB4.4 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses significantly increased by 180.8% to RMB227.4 million for the year ended December 31, 2021 from RMB81.0 million for the year ended December 31, 2020, primarily because (i) the increase in number of drama series distributed to TV channels as the Group undertook the responsibility of promoting such drama series; and (ii) the increased advertising input for high-quality drama series in order to further improve the market recognition of the brand.

Administrative Expenses

The Group's administrative expenses decreased by 7.3% to RMB56.6 million for the year ended December 31, 2021 from RMB61.0 million for the year ended December 31, 2020, primarily due to the decrease in listing expenses of RMB22.6 million, and partly offset by (i) the increase in the equity-settled share award expenses of RMB10.7 million; and (ii) the increase in professional services expenses of RMB3.5 million.

Finance Costs

The Group's finance costs increased by 121.3% from RMB9.9 million for the year ended December 31, 2020 to RMB22.0 million for the year ended December 31, 2021, primarily due to (i) the increase in interest on bank loans of RMB3.2 million, as the average bank loan balance of 2021 increased as compared with 2020; and (ii) the increase in interest on discounted notes receivables and account receivables of RMB9.2 million.

Income Tax Expense

The Group's income tax expense increased by 154.0% to RMB76.8 million for the year ended December 31, 2021 from RMB30.2 million for the year ended December 31, 2020, primarily due to (i) the increase in taxable profit made in 2021; and (ii) the increase of deferred tax expense which were primarily impacted by the decrease of accrued expenses.

2021 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 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 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,	
	2020	**2021**
	(RMB in thousands)	
Reconciliation of net profit to adjusted net profit		
Net profit for the year	18,192	**169,378**
Add:		
Changes in fair value of financial liabilities at fair value through profit or loss	77,657	**1,610**
Equity-settled share award expenses	10,729	**21,424**
Listing expenses	24,304	**1,725**
Adjusted net profit	130,882	**194,137**

FINANCIAL POSITION

Consolidated statement of financial position (selected items)

	Year ended December 31, 2020	2021
	(RMB in thousands)	
Total non-current assets	196,094	**150,866**
Total current assets	1,663,826	**2,689,701**
Total current liabilities	1,145,914	**1,056,933**
Net current assets	517,912	**1,632,768**
Total non-current liabilities	489,369	**10,402**
Net assets	224,637	**1,773,232**

Inventories

	Year ended December 31, 2020	2021
	(RMB in thousands)	
Raw materials	78,631	**144,203**
Work in progress	331,339	**776,873**
Finished goods	446,368	**178,933**
Total	856,338	**1,100,009**

The Group's inventories increased by 28.5% to RMB1,100.0 million as of December 31, 2021 from RMB856.3 million as of December 31, 2020, primarily due to the increase in work in progress of RMB445.5 million, since the drama series under preparation as of December 31, 2021 increased from that of December 31, 2020. The increase was partially offset by the decrease in finished goods of RMB267.4 million as the Group broadcasted several of its drama series, such as Spirit Realm (靈域) and Breath Of Destiny (一起深呼吸).

Trade and Notes Receivables

The Group's trade receivables increased by 60.8% to RMB712.2 million as of December 31, 2021 from RMB443.0 million as of December 31, 2020, primarily due to the increase in trade receivables of RMB653.7 million for drama series broadcast in 2021 such as My Bargain Queen (我的砍價女王) and Forerunner (前行者), and partially offset by the decrease in trade receivables of RMB384.5 million for drama series broadcast in previous years, such as Inside Man (局中人) and Unbending Will (石頭開花).

As of December 31, 2020 and 2021, the Group made provisions for impairment of trade receivables of approximately RMB12.3 million and RMB17.3 million, respectively, which the Group believes were sufficient as of the end of each year.

The Group's notes receivables increased from RMB10.0 million as of December 31, 2020 to RMB108.1 million as of December 31, 2021, primarily due to (i) the increase in notes receivables from a top satellite TV channel for the licensing fees of Inside Man (局中人) broadcast in 2020; and (ii) the increase in notes receivables received as prepaid production fee.

FINANCIAL POSITION (CONT'D)

Prepayment, Other Receivables and Other Assets

The Group's prepayment, other receivables and other assets increased by 52.1% to RMB363.2 million as of December 31, 2021 from RMB238.8 million as of December 31, 2020, primarily attributable to (i) the increase in prepayments for drama series of RMB86.6 million, since the Group had more drama series that were in post-production or production stage as of December 31, 2021 than in 2020; and (ii) the increase in deductible input value-added tax of RMB17.8 million.

Goodwill

The Group's goodwill decreased to RMB108.3 million as of December 31, 2021 from RMB113.0 million as of December 31, 2020, primarily due to the disposal of Nova Film in November 2021.

Other Intangible Assets

The Group's other intangible assets decreased from RMB26.2 million as of December 31, 2020 to RMB14.5 million as of December 31, 2021, primarily due to the amortisation of intangible assets and the disposal of Nova Film in November 2021.

Trade Payables

The Group's trade payables increased by 7.8% from RMB238.4 million as of December 31, 2020 to RMB256.8 million as of December 31, 2021, primarily due to the increase in the number of drama series that were in post-production or production stage as of December 31, 2021 in comparison with 2020.

Other Payables and Accruals

The Group's other payables and accruals decreased by 22.7% to RMB454.6 million as of December 31, 2021 from RMB587.8 million as of December 31, 2020, primarily due to (i) the decrease in accrued liabilities of RMB66.7 million from RMB71.2 million due to the decrease in drama series scheduled to broadcast via TV channels as of December 31, 2021 in comparison with 2020; and (ii) the decrease in contract liabilities of RMB18.4 million from RMB411.0 million since certain amount of contract liabilities as of December 31, 2020 had been recognised as revenue during the year ended December 31, 2021 for Spirit Realm (靈域) and Breath Of Destiny (一起深呼吸) which broadcast in 2021.

Financial Liabilities at Fair Value through Profit or Loss

The Group's financial liabilities at fair value through profit or loss decreased by 100.0% from RMB475.4 million as of December 31, 2020 to nil as of December 31, 2021, primarily because the financial liabilities at fair value through profit or loss refer to redeemable preferred shares, which had been converted into ordinary shares immediately prior to the Listing.

DIVIDENDS

The Board has resolved not to recommend payment of a final dividend for the year ended December 31, 2021.

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.

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 15.0% 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. For details, please refer to the announcement of the Company dated February 7, 2021.

On November 9, 2021, 6,780,000 new Shares, representing approximately 1.0% of the total number of Shares in issue of the Company as of the date of this report, were allotted and issued by the Company to the trustee under the RSU Scheme to hold on trust for the grantees of the RSUs. For details, please refer to the announcement of the Company dated November 4, 2021. There has been no movement in the issued Shares of the Company since then.

The Company maintained a healthy financial position in 2021. The Group's total assets increased from RMB1,859.9 million as of December 31, 2020 to RMB2,840.6 million as of December 31, 2021, whilst the Group's total liabilities decreased from RMB1,635.3 million as of December 31, 2020 to RMB1,067.3 million as of December 31, 2021. The Group's liabilities-to-assets ratio decreased from 87.9% as of December 31, 2020 to 37.6% as of December 31, 2021.

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, 2021, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounted to RMB1,632.8 million and RMB302.8 million, respectively, as compared to RMB517.9 million and RMB95.6 million, respectively, as of December 31, 2020.

As of December 31, 2021, 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, 2021, the Group's total interest-bearing bank and other borrowings were approximately RMB278.3 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, 2021, the Group did not have any significant contingent liabilities.

CAPITAL STRUCTURE, LIQUIDITY AND CAPITAL RESOURCES

Capital Expenditure

The Group's capital expenditures primarily included purchase of property, plant and equipment. The Group's capital expenditures decreased to RMB1.8 million in 2021 from RMB2.6 million in 2020. 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 increased from 8.7% for the year ended December 31, 2020 to 17.0% for the year ended December 31, 2021, primarily because its profit for the year increased significantly outpaced the increase in the arithmetic mean of the opening and closing balances of its total equity from 2020 to 2021.

Return on Assets

The Group's return on assets increased from 0.9% for the year ended December 31, 2020 to 7.2% for the year ended December 31, 2021, primarily because its profit for the year increased significantly outpaced the increase in the arithmetic mean of the opening and closing balances of our total assets from 2020 to 2021.

Current Ratio

The Group's current ratio increased from 1.45 for the year ended December 31, 2020 to 2.54 for the year ended December 31, 2021, primarily attributable to the increase in its current assets, which is line with the expansion and growth of its business.

Debt to Equity Ratio[1]

The Group's debt to equity ratio was 64.2% as of December 31, 2020 and not applicable as of December 31, 2021 as the ratio became negative, primarily due to the decrease in its net debt which was primarily attributable to the decrease in amounts due to a joint venture and the significant increase in cash and cash equivalents.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

On November 26, 2021, Jiangsu Strawbear, a consolidated affiliated entity of the Company, entered into a share repurchase agreement, pursuant to which Jiangsu Strawbear agreed to dispose of 90.1% equity interest in Nova Film at a consideration of RMB14,195,205.48. The disposal of Nova Film was completed on November 26, 2021. Upon completion, Nova Film ceased to be a consolidated affiliated entity of the Company. For details of the disposal of Nova Film, please refer to the announcement of the Company dated November 26, 2021 and Note 32 to the financial statements.

Saved as the disposal of Nova Film mentioned above, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2021. As of December 31, 2021, the Group did not hold any significant investments.

USE OF PROCEEDS FROM THE 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.

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 and due to a joint venture deduct cash and cash equivalents) divided by total equity as of the relevant dates multiplied by 100.0%.

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

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) was re-allocated to funding the production of Cat & Thief[2] (鬥賊), Legend Of Bikini (乘風踏浪), Never Too Late (我的助理六十歲) and Welcome (請君)[4]; 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. For details, please refer to the announcement of the Company dated September 15, 2021 (the "**Announcement**").

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 and unutilised amount of Net Proceeds as of December 31, 2021; and (iv) the latest expected timeline for utilisation:

	Net proceeds from the global offering and utilisation				
	Original allocation of Net Proceeds HK$ in million	Revised allocation of Net Proceeds HK$ in million	Utilised amount of Net Proceeds as of December 31, 2021 HK$ in million	Unutilised amount of Net Proceeds as of December 31, 2021 HK$ in million	Expected timeline for utilisation [1]
Funding the drama series production of the Group					
Our Destiny In Self-Redemption (浮圖緣)	76.5	76.5	76.5	–	–
Flying To The Moon (月歌行)	100.8	100.8	100.8	–	–
Handsome Young Master (公子傾城)	38.6	38.6	38.6	–	–
Hello Baby (你好寶貝)	57.0	–	–	–	–
My Mr. Cat (我的貓先生)	68.6	4.1	4.1	–	–
Steal His Heart (偷走他的心)	68.6	0.1	0.1	–	–
The Wind Catcher (捕風者)	87.1	1.1	1.1	–	–
Two Capitals (兩京十五日)	252.6	–	–	–	–
Cat & Thief[2] (鬥賊)	–	110.0	110.0	–	–
Legend Of Bikini (乘風踏浪)	–	110.0	110.0	–	–
Never Too Late (我的助理六十歲)	–	145.0	133.8	11.2[3]	By March 31, 2022
Welcome (請君)[4]	–	163.6	163.6	–	–
Sub-total	749.8	749.8	738.6	11.2	

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

	Net proceeds from the global offering and utilisation				
	Original allocation of Net Proceeds HK$ in million	Revised allocation of Net Proceeds HK$ in million	Utilised amount of Net Proceeds as of December 31, 2021 HK$ in million	Unutilised amount of Net Proceeds as of December 31, 2021 HK$ in million	Expected timeline for utilisation (1)
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	14.1	93.0	By the end of 2023
Working capital and general corporate purposes	107.1	107.1	107.1	–	–
Total	1,071.1	1,071.1	859.8	211.3	

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 Trap Thieves (鬥賊) had been changed to Cat & Thief (鬥賊).

(3) The relevant amount had been utilised by March 31, 2022.

(4) The name of the drama series Please Bestow The Sedan Chair (請君賜轎) had been changed to Welcome (請君) from December 2021.

During the Relevant Period, the Group has utilised Net Proceeds of RMB859.8 million in accordance with intended purposes set out in the Prospectus and the Announcement. The remaining Net Proceeds were deposited in banks as of the date of this annual report. The Group will gradually utilise the Net Proceeds in accordance with the intended purposes set out in the Prospectus and the Announcement.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

On December 20, 2021, the Company, Jiangsu Strawbear, Shanghai GH Entertainment & Media Co., Ltd. (上海金禾影視傳播有限公司) (the "**Target Company**"), Zheya (Shanghai) Film and Television Culture Studio (哲雅(上海)影視文化工作室) ("**Shanghai Zheya**") and Ms. Wang Jing (王晶), the founder and a controlling shareholder of the Target Company, entered into a non-legally binding term sheet (the "**Term Sheet**"), pursuant to which, (i) the Company and Jiangsu Strawbear (the "**Purchasers**") agreed to provide a loan in the principal amount of RMB40.0 million to Shanghai Zheya with a simple interest rate of 6.0% per annum (the "**Loan**"); (ii) the Purchasers are entitled to, by way of debt-to-equity swap, convert the principal amount of the Loan (being RMB40.0 million) due from Shanghai Zheya into the consideration for the acquisition of approximately 16.7% equity interest in the Target Company held by Shanghai Zheya (the "**Phase I Acquisition**"); and (iii) upon completion of the Phase I Acquisition and within 180 days from the date of the Term Sheet, the Purchasers are entitled to acquire additional equity interest in the Target Company, which, together with the equity interest in the Target Company to be acquired under the Phase I Acquisition, shall be 100.0% in aggregate. For details, please refer to the announcement of the Company dated December 21, 2021.

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

SIGNIFICANT LITIGATION

As at 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, 2021, the Group's trade receivables, which had an aggregate net carrying value of approximately RMB649,438,000 (2020: RMB379,791,000), and the pledged deposit amounting to RMB91,139,000 (2020: RMB30,000,000) were pledged to secure the interest-bearing bank and other borrowings granted to the Group.

FINANCIAL RISKS

Credit Risk

The Group's credit risk is primarily attributable to trade and notes receivables, financial assets included in prepayments, other receivables and other assets, 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.

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

Liquidity Risk

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

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

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2021, the Group had 55 employees, including 24 based in Jiangsu Province, 22 based in Beijing, 3 based in Xinjiang Uyghur Autonomous Region, 2 based in Zhejiang Province and 4 based in Hainan Province. The following table shows a breakdown of the employees by function as of December 31, 2021:

Functions	Number of Employees	% of Total Employees
Management	4	7.3%
Production	16	29.1%
Investment	3	5.5%
Distribution	4	7.3%
Casting	1	1.8%
Marketing and promotion	5	9.1%
Government affairs	1	1.8%
Finance and legal	13	23.6%
Administrative	7	12.7%
Overseas development	1	1.8%
Total	55	100.0%

EMPLOYEES AND REMUNERATION POLICIES (CONT'D)

For the year ended December 31, 2021, total staff remuneration expenses including Directors' remuneration amounted to RMB30.6 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 annual report, the Group did not experience any strikes or any labor disputes with its employees which have had or are likely to have a material effect on its business.

The employees of the Group typically enter into standard employment contracts with a confidentiality clause and non-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 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 Scheme to reward the selected employees for their contribution to the growth and development of the Group, details of which are set out in the sections headed "Pre-IPO Share Option Scheme" and "RSU Scheme" in the Directors' Report.

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, no other significant events that require additional disclosure or adjustments occurred after the Reporting Period.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Liu Xiaofeng (劉小楓), aged 44, is an executive Director, the chairman of the Board 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 20 drama series with over 1,000 episodes he has produced and distributed, some of which won the annual viewership rating champions of various TV channels, such as Legend Of Zu Mountain (蜀山戰紀之劍俠傳奇) and Second Time Is A Charm (第二次也很美). He is also the first to initiate the "Online first, TV next" ("先網後台") broadcasting model which introduced a new broadcasting arrangement among distribution channels. Attributable to his deep understanding and accurate prediction of the future trends of the drama series industry in the PRC, Mr. Liu is a first-mover in cooperation with online video platforms, thereby having seised the opportunities brought by the rise of such platforms. He is also the first to adopt the platform business model to integrate premium industry resources to ensure the Group's rapid and sustainable growth. Mr. Liu is a member of China Television Artists Association (中國電視藝術家協會), a 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 (CONT'D)

Executive Directors (cont'd)

Ms. Zhang Qiuchen (張秋晨), aged 44, 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 its 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 39, is an executive Director and the chief financial officer of our 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 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 44, is an executive Director, 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 53, 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, Inc. (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 center from March 2000 to October 2001, the director of news department of news center from October 2001 to March 2002, the director of news program center from March 2002 to November 2003, the deputy director of Voice of China from November 2003 to June 2006, the director of finance office from June 2006 to September 2007, and the vice president from September 2007 to June 2016.

DIRECTORS (CONT'D)

Non-executive Directors (cont'd)

Mr. Wang Xiaohui's expertise in journalism and content business is highly recognised nationwide, evidenced by numerous honors and awards he received, including, among others, the 11th Changjiang Taofen Award (長江韜奮獎) awarded to him by the All-China Journalists Association (中華全國新聞工作者協會) in November 2010, which is recognised as one of top journalism accolades in China, and the Advanced Individual in the Reform of National Cultural System (全國文化體制改革工作先進個人) awarded jointly by the Publicity Department of the Central Committee of the Communist Party of China (中國共產黨中央委員會宣傳部), the Ministry of Culture of the PRC (中華人民共和國文化部), State Administration of Radio, Film and Television (國家廣播電影電視總局) and General Administration of Press and Publication (新聞出版總署) in September 2012.

Mr. Wang obtained a bachelor's degree in journalism 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) and 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 44, was a non-executive Director. 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 Ying joined the Group in April 2021. Ms. Zeng has extensive experience in financial management and had held various high-level positions in listed companies. Ms. Zeng joined iQIYI, Inc. (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, Inc.. Prior to that, she served as the deputy director of budget control and financial analysis department of Baidu, Inc. (Stock Code: 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 35, is a non-executive Director. 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, Inc. (Stock Code: IQ. NASDAQ) in October 2020 as the head 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 64, was appointed on December 18, 2020 as an independent non-executive Director. 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 (CONT'D)

Independent Non-executive Directors (cont'd)

Mr. Zhang Senquan (張森泉) (formerly known as ZHANG Min (張敏)), aged 45, was appointed on December 18, 2020 as an independent non-executive Director. 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). 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 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 46, was appointed on December 18, 2020 as an independent non-executive Director. 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 44, is the chief executive officer, the chairman of the Board and executive Director. For details of his biography, please see "– Directors – Executive Directors."

Ms. Zhang Qiuchen (張秋晨), aged 44, is the chief marketing officer and executive Director. For details of her biography, please see "– Directors – Executive Directors."

Mr. Chen Chen (陳晨), aged 39, is the chief financial officer and executive Director. For details of his biography, please see "– Directors – Executive Directors."

Ms. Zhai Fang (翟芳), aged 44, is the chief operating officer and 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 34, is a joint company secretary of the Company who was appointed on March 25, 2022.

Ms. Zhang is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited. She has over eight 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

ABOUT THIS REPORT

This is the second Environmental, Social and Governance (ESG) Report of Strawbear Entertainment Group (the "Company", "we"). It covers our work for the period from January 1, 2021 to December 31, 2021 and provides a comprehensive overview of the Company's management policy and performance with respect to ESG in 2021.

During the preparation of this report, we strive to make the information covered in this report meet the requirements of the Stock Exchange in terms of Materiality, Quantification and Consistency. We will continue to strengthen our collection of reporting information to enhance our performance and disclosure on sustainability issues.

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 is consistent with that of the annual report of the Company.

BASIS OF PREPARATION

This report mainly refers to the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set forth under Appendix 27 of the Listing Rules of the Stock Exchange.

This report is prepared in accordance with a set of systematic procedures which include identifying and ranking major stakeholders and ESG-related issues, defining the extent of the ESG report, collecting relevant materials and data, preparing data based on the collected information, and examining the data in this report.

DATA SOURCE AND RELIABILITY DESCRIPTION

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 accept responsibility for the contents of this report as to its authenticity, accuracy and completeness.

The Board of Directors and 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 25, 2022.

BOARD STATEMENT

The Board attaches great importance on the Company's sustainable 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, supervision and assumes full responsibility. 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, paying attention to the implementation of sustainable development objective, reviewing and supervising ESG practices and reporting to the Board on ESG issues. An 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 accesses important ESG issues and discusses and reviews them at board meetings. 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, we identified the potential risks and opportunities brought by climate change on the Company's future operations, analysed and accessed the possibility and impact of these risks and opportunities, and made targeted response plans. At the same time, we set environment-related objectives, actively carried out various green and low-carbon actions, took energy-saving and emission reduction measures in response to the national strategy of "Carbon Peak in 2030" (2030碳達峰) and"Carbon Neutral in 2060" (2060碳中和). In the future, we will continue to monitor and review the achievement of goals, and continuously increase investment in sustainable development and adjust priorities for sustainable development actions based on domestic and international trends of sustainable development to realise common sustainable development in economy, society and environment.

RESPONSE TO THE ESG REPORTING PRINCIPLES OF THE STOCK EXCHANGE

Materiality: In line with the 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 to ultimately identify and select the material sustainability issues of the Company.

Quantification: The Company has developed ESG indicator management tools that cover all its departments, to provide regular statistics of the quantitative key disclosure indicators for the entire "environmental" scope and part of the "social" scope under the ESG Reporting Guide, which are summarised and disclosed at the end of the year.

Consistency: Compared with the annual report of the Company, this report made no major adjustment to the scope of disclosure and used consistent methodologies.

ESG MANAGEMENT

The Company attaches great importance to organic integration of ESG concept and its own business development, constantly improves ESG management, continuously deepens ESG practices and collaborates with stakeholders to create value and share development achievements.

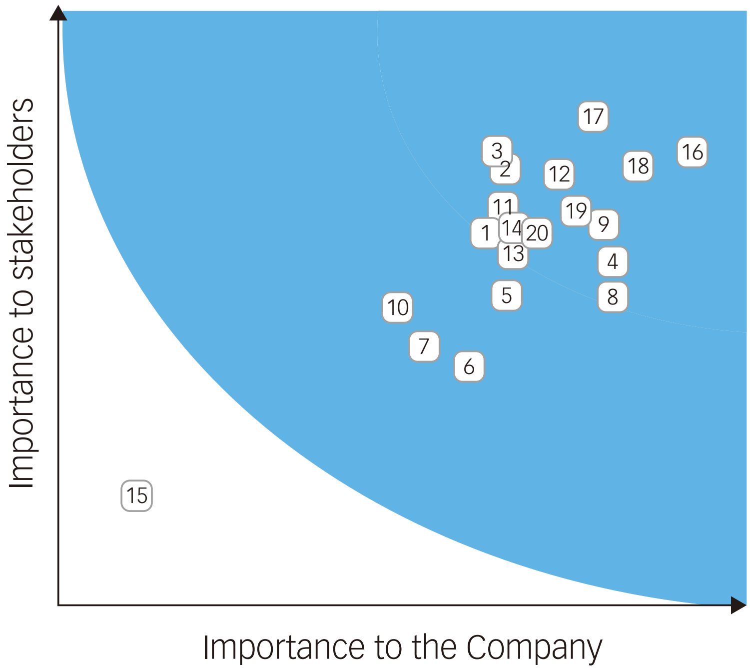
ANALYSIS OF MATERIAL ISSUES

In order to accurately locate the direction of ESG management practice and improve the accuracy of ESG issue-based management, we 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	To identify potential material issues that can reflect the impact of the Company's business on the economy, environment and society 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, referring to other relevant documents and combining the Company's development strategy and its own characteristics.
Assessment	To obtain a two-dimensional evaluation of the importance of the issues by inviting stakeholders such as experts and consultants in the field of sustainability to evaluate the importance of the issues and combining internal management's evaluation on the importance of the issues to the Company.
Verification and reporting	To establish substantive analysis matrix according to the results of the issue evaluation and make special disclosure in the report on issues that belong to the core issues matrix.

During the Reporting Period, we sorted and analysed the importance of ESG issues from two dimensions, being the impact on the Company's sustainable development and the impact on stakeholders, through policy research, media analysis 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. We identified 15 issues of high importance, four of moderate importance and one of low importance. Among them, highly important ESG issues form the focus of this report, which we will disclose in detail in this report.

Material issues analysis of 2021



Materiality	No.	Issue name
Issue of high importance	16	Corporate Governance
	17	Business Ethnics
	18	Compliance Operation
	12	Product and Service Quality
	9	Employees Training and Development
	19	Risk Management
	4	Climate Change Adaptation
	3	Water Resources Management
	8	Occupational Health and Safety
	2	Energy Management
	20	Anti-corruption
	11	Intellectual Property Protection
	14	Supply Chain Management
	13	Information Security and Privacy Protection
	1	Waste Management
Issue of moderate importance	5	Greenhouse Gas (GHG) Emissions Management
	6	Legal and Compliance Employment
	10	Remuneration and Welfare of Employees
	7	Protection of Employees' Interests
Issue of low importance	15	Community Investment and Public Welfare

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, communities and other stakeholders, and listens and responds to the 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 Tax payment according to law Business ethnics Support economic development	Compliance management Daily communication and reporting Full taxation
Shareholders and investors	Financial results Business development Information disclosure Communication channels	Regular disclosure of financial and operational information General meetings Corporate website and investor relations email
Customers	Quality of service Product quality Meet diverse demands of customers Feedback channels	Product innovation and upgrade Customer information and privacy protection Exclusive customer service
Employees	Protect employees' rights and interests Career development platform Protect occupational health Work-life balance	Consummate mechanism for career progression Competitive remuneration and benefits Employee training Team building activities and budgets
Suppliers and partners	Cooperation with integrity Information sharing Win-win cooperation Business ethnics and credibility	Supplier selection system Promote daily communication Organise project cooperation Perform agreements according to law and supplier evaluation Special internal control and risk management
Society and the public	Support social welfare Participate in community development Protect natural environment	Engage in charitable causes Volunteer service Promote resource and energy efficiency

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, increases investment in 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.

Carbon emission reduction

- **Objective:**
- Establishing a carbon emissions management system to reduce carbon emissions
- **Core Initiatives:**
- Improving environmental management and carbon emission data collection process of the Company operations
- Promoting online meetings to reduce unnecessary travel and providing guidelines on and supervising the practice of low carbon travel
- Strengthening employees' low carbon awareness
- Encouraging employees to participate in environmental protection activities and to increase the use of renewable energy and new energy in filming

Energy usage

- **Objective:**
- Strengthening energy consumption management, reducing energy waste, and improving energy use efficiency
- **Core Initiatives:**
- Promoting turning off lights when leaving office, saving electricity and posting energy-saving signs
- Strengthening employees' energy saving awareness

Water efficiency

- **Objective:**
- Progressively reducing water consumption and improving water consumption efficiency
- **Core Initiatives:**
- Promoting water conservation and post water-saving signs
- Strengthening employees' water conservation awareness

Waste reduction

- **Objective:**
- Optimising waste management levels and reducing waste emissions
- **Core Initiatives:**
- Promoting a paperless office and strictly controlling the use of printing paper
- Strengthening waste classification and improving waste disposal management
- Strictly controlling the provision of plastic bottled water in meetings
- Strengthening employees' waste reduction awareness

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 2021

Indicator		Unit	2021
Total hazardous waste generation		Tonnes	0.142
Hazardous waste generation intensity		Tonnes/RMB million revenue	0.000083
Hazardous waste by category	Used toner cartridges	Tonnes	0.002
	Used batteries	Tonnes	0.02
	Used ink cartridges	Tonnes	0.02
	Other electronic waste (not recyclable), including computers, printers, etc.	Tonnes	0.1
Total non-hazardous waste generation		Tonnes	1.7
Non-hazardous waste generation intensity		Tonnes/RMB million revenue	0.001
Non-hazardous waste by category	Office paper	Tonnes	0.4
	Domestic waste	Tonnes	0.7
	Food waste	Tonnes	0.6

Table: GHG emission in 2021

Indicator	Unit	2021
Scope 1: Direct GHG emissions[1]	tCO_2e	26.47
Intensity of direct GHG emissions	tCO_2e/RMB million revenue	0.01554
Scope 2: Indirect GHG emissions[2]	tCO_2e	25.27
Intensity of indirect GHG emissions	tCO_2e/RMB million revenue	0.01484
Total GHG emissions	tCO_2e	51.74
Intensity of total GHG emissions	tCO_2e/RMB million revenue	0.03038

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 CO_2 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.

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 and does not have a significant impact on the environment and natural resources as it has small number of staffs and only uses energy during office hours and when using cars. In its daily operations, the water source of the company is municipal water supply, and 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 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 2021

Indicator	Unit	2021
Purchased electricity	kWh	29,500
Gasoline	Liter	12,000
Total energy consumption[1]	Tonnes of standard coal	16.43
Energy use intensity	Tonnes of standard coal/RMB million revenue	0.00965
Conversion of electricity for energy consumption	kWh	133,659.32
Conversion of electricity for energy consumption intensity	kWh/RMB million revenue	78.48

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 2021

Indicator	Unit	2021
Total water consumption	Tonnes	1,650
Total water consumption intensity	Tonnes/RMB million revenue	0.96884

A3 The environment and natural resources

The Company actively promotes the environmental practices of low-carbon office operations and adheres to green operation. In 2021, the Company actively used video conference and teleconference to carry out its work and reduced business travel, advocated all staff to save water and electricity and reduced paper waste in the office, promoted turning off lights when leaving office, strengthened the staff's awareness of green office and low-carbon life, and eliminated wasting.

A4 Climate change

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 always pays attention to climate change and actively formulates various emergency plans and establishes efficient and orderly disaster precautions and relief operation mechanism to continuously enhance the safety and emergency response capability of the Company's business to cope with and withstand natural disasters, so as to avoid and mitigate the safety risks caused by natural disasters to the greatest extent possible and safeguard the normal operation of the Company.

B. SOCIAL

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 Remuneration Management Measures (《薪酬管理辦法》) and the Staff Manual (《員工手冊》) to effectively protect and safeguard the legal rights and interests of employees. The Company insists on 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, nationalities, 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.

Table: Employee Information of the Company in 2021

Indicator		Unit	2021
Total number of employees		Person	55
Number of employees by gender	Male employee	Person	22
	Female employee	Person	33
Number of employees by age	Under 30	Person	15
	31-39	Person	23
	Over 40	Person	17
Number of employees by employees' rank	Senior management	Person	5
	Middle management	Person	11
	Average employees	Person	39
Number of employees by types of employment	Full-time employees	Person	55
	Part-time employees	Person	0
Number of employees by regions	Mainland China	Person	55
	Hong Kong, Macau and Taiwan	Person	0
	Overseas	Person	0

Table: Information on Turnover of Employee of the Company in 2021

Indicator		Unit	2021
Total turnover rate of employee		%	7.3
Turnover rate of employee by gender	Male employee	%	13.6
	Female employee	%	3.0
Turnover rate of employee by age	Under 30	%	13.3
	31-39	%	0
	Under 40	%	11.8
Turnover rate of employee by regions	Mainland China	%	7.3
	Hong Kong, Macau and Taiwan	%	0
	Overseas	%	0

The company establishes and improves a fair, reasonable, motivating and competitive salary system, continuously optimises the salary system, constantly regulates salary management, safeguards the basic rights, statutory holidays and vocations to which employees are entitles in accordance with the law, and pays medical insurance and pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund. In addition, the Company has established a staff shareholding incentive system, covering majority of employees who have signed labor contracts with the Company and senior management employees of subsidiaries, to further enhance the Company's cohesion, stimulate employees' creativity, improve employee benefits, and promote talent attraction and retention.

Picture: Promotion on staff shareholding incentive

B2 Health and Safety

The Company has attached high importance to the health and safety of our employees and 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》) to identify potential safety risks in a timely manner and prevent the occurrence of safety accidents. At the same time, the Company provides employees with a variety of health and safety protection measures, such as organising regular physical examinations for all employees every year, organising nucleic acid test for all employees during the epidemic, and arranging regional home office according to the occurrence of the epidemic and corresponding policies 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 relevant laws and regulations, nor work-related injuries or work-related fatalities.

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 entering to leaving the crew, to ensure that the principle of "high-quality service, safety, work efficiency and saving costs" is followed in every parts. The Company has adopted various measures to ensure the safe filming of the crew, including but not limited to:

- The COVID-19 Safety Clause is added to the contracts of some crew members who film episodes during the epidemic to ensure that relevant artists fulfill their individual responsibilities for epidemic prevention and control, and to ensure the safety of the crew and the orderly development of filming projects.

- Delegate relevant personnel to monitor and manage the shooting site, ensure the safety during the shooting, and purchase insurance for the crew as appropriate;

- Implement a check-in system when the crew checks in, and formulate the Regulations on Hotel Accommodation (《賓館住宿規定》) to regulate their behaviors;
- To ensure the fire safety of crew station, it was stipulated that all check-in staff were not allowed to cook, use open flame, store or use high-power electrical appliances in the guest room. The crew will conduct irregular inspections. For anyone who disobeys the dissuasion and violates the above regulations, the crew will confiscate the appliances and impose a fine;
- Strengthen the management of the crew's vehicles and drivers, formulate the Regulations on Vehicle and Driver Management (《車輛及駕駛員管理規定》) to standardise the process of using vehicles and clarify the obligations and responsibilities of drivers to eliminate traffic safety risks;
- After the personnel enter the crew, the leader of the crew organises and arranges to learn about the system as so to ensure that the crew members are aware of all safety regulations and management systems, and enhance employees' awareness of self-safety protection;
- All employees are prohibited to smoke in the non-smoking area and filming area of the crew has the obligation to remind visitors not to smoke in the non-smoking area. Any violator will be fined;
- Operators in special positions should provide corresponding 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, standardised operation of electric tools must be learned, and the careful use of electric tools is required to avoid personal injury;
- Keep the operation room of warehouse clean, and it is forbidden to stack things randomly to ensure safe production and reduce the damage of finished products for scenery setting;
- Check the fire prevention equipment regularly and makes necessary efforts for fire precaution strictly;
- At the end of the construction, the persons on duty must check the doors, windows and the power supply of the warehouse to ensure safety and completely eliminate the hidden danger of fire and theft before leaving the operation room of the studio;
- Once a safety accident occurs, emergency rescue must be organised to minimise the accident loss and report to the leaders of the crew immediately. 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 shall, according to the accident situation verified by investigation, investigate for the economic, administrative and legal responsibilities of the persons concerned.

B3 Development and Training

Career Promotion

The Company regards the career development of its employees as an 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 stimulate employees to stay positive and motivated, and continuously improve their own ability and quality.

Announce promotion schedule, vacant positions and requirements for vacant positions → Employees submit application or is nominated and recommended by the department, and the direct superior will review and issue a recommendation, and fill in the promotion application → Qualification review for those who submit the application is performed, and the evaluation form is filled out after a compre-hensive review from the relevant dimensions. → The assess-ment results will officially take effect after approval → Announce the promotion result and file it to the Human Resources Department for record

Table: Promotion process for employee

Employee training

The Company has formulated a Staff Training System (《員工培訓制度》), and set up induction trainings for newcomers and professional trainings for permanent staff, continuously strengthening the training efforts in employees' knowledge system and professional skills, comprehensively improving employees' professional quality and professional skills, and enhancing the Company's core competitiveness. In 2021, the Company organised special trainings on various topics such as taxation knowledge, legal knowledge, financial knowledge, trend in the development of film and television technology, etc., which improved the professional knowledge of employees in a multi-dimensional and all-round manner.

Picture: Training on taxation knowledge

Picture: Training on financial knowledge

Picture: Training on legal knowledge

Picture: Training on the trend in the future development of film and television technology

Table: Information on Training on Employee of the Company in 2021

Indicator		Unit	2021
Trained employee ratio by employee's rank	Senior management	%	100
	Middle management	%	100
	General employee	%	100
Trained employee ratio by gender	Male employee	%	100
	Female employee	%	100
Trained hour per person by employee's rank	Senior management	Hour	10
	Middle management	Hour	10
	General employee	Hour	10
Trained hour per person by employee's gender	Male employee	Hour	10
	Female employee	Hour	10

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》), Compulsory Education Law of the People's Republic of China (《中華人民共和國義務教育法》) and Employment Ordinance (Chapter 57 of the Laws of Hong Kong), forbids 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 pays attention to the balance between employees' work and life, actively carries out various cultural and sports activities, shortens the distance with employees, enhances team cohesion, and provides employees with various benefits. In 2021, the Company carefully prepared festival gifts and delivered our blessings to employees on various festivals, timely assisted employees in difficulty, and carried out employee care activities after work. We attach importance to enhancing communication with employees, hold employee meetings regularly, effectively strengthen democratic participation, decision-making and communication between employees and management, and protect employees' rights to freedom of assembly and association.

Picture: A group photo taken at staff meeting

Picture: A group photo for employee's team building

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 (《供應商與採購管理辦法》) to standardise procurement and payment, prevent against operational risks, continuously optimise supplier resources. With a supplier evaluation system put in place, the Company maintains a stable and reliable supplier team and provides reliable services and supplies for the enterprise's high quality operation.

The Company has compiled the Qualified Supplier List (《合格供應商名錄》) as the key basis for the selection and use of suppliers in its procurement. The main purpose is to form a mechanism of "survival of the fittest" on top of the survey on suppliers' overall capabilities, to facilitate the continuous improvement of supplier teams. For the survey on new suppliers' overall capabilities, it involves the basic industrial and commercial qualifications of new suppliers, business scope, broadcast effect of main products, post production service, price level, etc.. Only those who pass the survey can be included in the supplier list. For the evaluation of existing suppliers, the Company focuses on examining past cooperation performance, including the basic information in existing suppliers, the cooperation term with the Company, the broadcast effect of products, post production service, price level, etc.. Suppliers assessed as unqualified will be suspended in cooperation. At the same time, the Company has established an accountable system for the procurement and payment business, which clarified the responsibilities and authorities of relevant departments and posts, and ensured the separation, restriction and supervision of the posts involved in the procurement and payment business.

The Company pays attention to the performance of suppliers in environment, society and governance. Environmental and social risks are prevented by our 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.

Supplier selection and evaluation

Supplier recommendation:

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

Investigation on the supplier:

- Suppliers are assessed and selected by using 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

Suppliers acceptance and execution of contracts

Evaluation of Suppliers:

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

Execution of 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 directors, they are required not to commit illegal or unethical acts in violation of national laws and relevant regulations of the State Administration of Radio and Television. During the implementation of projects, the Company signs the Integrity Responsibility Letter (《廉潔責任書》) with suppliers to ensure that they fulfill their obligations of integrity and law-abiding

Management on and Communication with suppliers

Management on suppliers:

- A clear award and punishment system was formulated to incentivize the outstanding suppliers and blacklist those suppliers with risk warnings or prior violation of regulations so as to strengthen supplier risk management

- Suppliers' performance on their obligations under contracts is tracked and the evaluation system will be kept improved

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-periodic 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

Supplier tracking and feedback

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

Table: Suppliers of the Company in 2021

Indicator		Unit	2021
Number of suppliers by region	Total	Company	281
	Eastern China	Company	134
	Southern China	Company	12
	Central China	Company	3
	Northern China	Company	110
	Northwestern China	Company	9
	Southwestern China	Company	7
	Northeastern China	Company	4
	Hong Kong, Macao and Taiwan	Company	2
	Overseas region	Company	0

B6 Product Responsibility

Intellectual property protection

The Company strictly abides by the provisions of the national 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 technical secrets, trademark rights, copyrights, commercial secrets and patents, trademarks, works, computer software introduced by the Company, etc.) 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 trade names, domain names, the exclusive right to network addresses, etc.). Meanwhile, to ensure the orderly development of intellectual property management, it 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 strengths the Company's intellectual property protection, facilitates the promotion and application of achievements, and stimulates the creation enthusiasm of employees. During the Reporting Period, the Company did not have any disputes or cases involving infringement, content plagiarism and other intellectual property rights.

Table: Comparison of the number of IPs held by the Company in 2020 and 2021

Indicator	Unit	2020	2021
Total number of IPs held	Item	34	53
Number of original screenplays	Item	7	13
Number of adapted screenplays	Item	27	40

Responsible promotion

In the process of producing, publishing and promoting the television play, 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 Audio-visual 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 Recording Filing System of the Internet Audio-visual 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 Audio-visual 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 quality of drama series meet the 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 non-copyright fonts, pictures and so forth, internally and by partners.

In 2021, the Company advertised and promoted several drama series including Spirit Realm (靈域), Breath Of Destiny (一起深呼吸) and My Bargain Queen (我的砍價女王), and other upcoming drama series. During the Reporting Period, the Company was not subject to any punishments such as removal, suspension of broadcasting and fines due to the quality or content of drama series not meeting the national requirements, nor did it receive consumer complaints therefrom.

Information security and customer privacy protection

The Company strictly protects customer information and data security, conscientiously implements the relevant requirements of the Network Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) and the Personal Information Security Specification (《個人信息安全規範》) and other relevant laws and regulations, establishes and improves the 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 timely contact shall be made with the user department to jointly study remedial measures and methods for damaged backup data. The backup data with expired storage period was stipulated to be destroyed in time after being approved by the responsible operator;

- 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;

- The Qunhui network disk (群暉網盤) 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 the 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 the management of computer room, hardware, UFIDA system application (用友系統應用管理), changes in information system, application control of information system, etc..

Account authority management

- The Company developed the account authority management system to ensure that only authorised users can access to the system and service. It standardised the management of business systems and infrastructure accounts and prevented any unauthorised access;

- Principles covering account establishment, change of authority, disabling of users and close of account were set and strictly implemented.

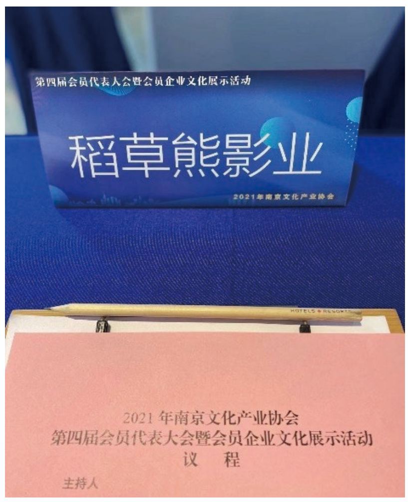
Computer room management

- The Company established the computer room management system to ensure the safety of the Company's information system. We regulated the computer room management to prevent the occurrence of all kinds of accidents and disasters. The Company also implemented strict management for the cabinets and staff of the computer room and set various operative procedures to prevent misuse and ensure the continuity of its information system operation.

Promote Industry Development

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 2021, the Company was invited to take part in the 2021 China Nanjing Culture & Technology Integration Exhibition Achievement Fair (2021中國（南京）文化和科技融合成果展覽交易會), the 2021 Nanjing Cultural Industry Association Fourth Member Congress and Member Corporate Culture Exhibition (2021年南京文化產業協會第四屆會員代表大會暨會員企業文化展示活動), and won the 2021 "Golden Phoenix Tree – Top 10 Digital Culture Enterprises" (2021年度「金梧桐獎－數字文化企業十強」).

Picture: the Company participated in the 2021 China Nanjing Culture & Technology Integration Exhibition Achievement Fair



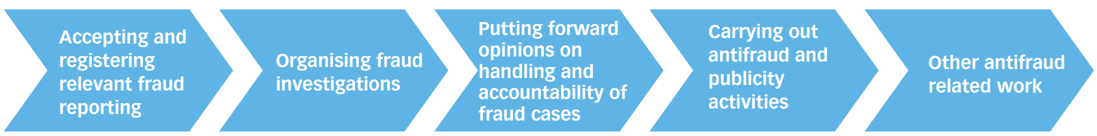
Picture: the Company participated in the Fourth Member Congress and Member Corporate Culture Exhibition

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 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 the corporate culture of honesty, clean and integrity. It strengthens the regulation of employees' behavior and carries out training on laws, regulations and professional ethics, eliminates the occurrence of corruption, fraud and other immoral behavior, establishes a complaint and report mechanism, and opens a special complaint and report channel for the illegal behaviors of the our employees. During the Reporting Period, the Company did not have any lawsuits relating to bribery, extortion, fraud and money laundering.

Antifraud

The Company continues to improve the Antifraud Management System (《反舞弊管理制度》), establishes and improves the 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

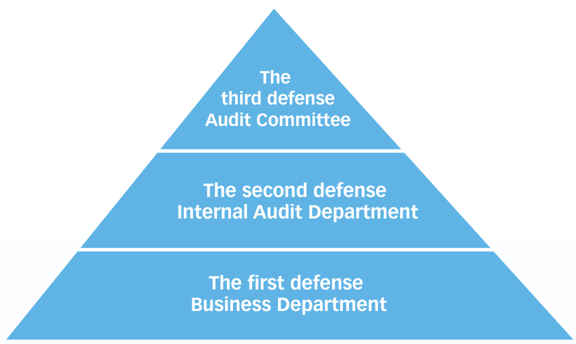
The Company takes relevant measures to protect the legitimate rights and interests of the whistleblower, protects the whistleblower's name, department, address, report letter and other relevant information from being disclosed, and requires those who have an interest in the fraud case with him/her or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

During the Reporting Period, the Company organised one antifraud training session with all Directors and staffs taking part.

Picture: the Company's antifraud training

Anti-money laundering

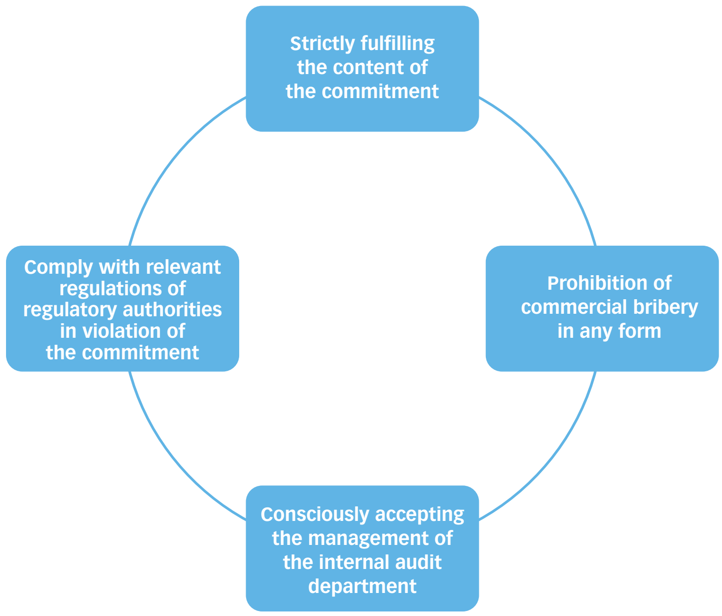
Pursuant to the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Provisions on Anti-money Laundering of Financial Institutions (《金融機構反洗錢規定》), the Administrative Measures for Customer Identification of Financial Institutions and the Preservation of Customer Identity Data 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 Defenses" (三道防線) anti-money laundering management measures 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

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 economic activities such as content procurement, business sales, equipment procurement and maintenance, as well as human, financial and material management processes. The commercial bribery prevention commitment system was put in place for personnel in key links and key positions. Those in important positions have to sign the Commitment to Prevent Commercial Bribery (《預防商業賄賂承諾書》) with the Company.



Picture: Responsibilities of the responsible person

B8 Community Investment

The Company adheres to the original intention of giving back to the society and strives to seek for ways for the coordinated development of commercial value and social value. Therefore, we formulated the Guidelines on Community Influence (《社區影響力指引》), pursuant to which we actively participates in social welfare, fulfills its corporate social responsibility, carries out corresponding social donations and community volunteer services, and encourages employees to donate blood, participate in epidemic prevention and control, and convey the power of love to the society. During the Reporting Period, Zhen'an County, Shaanxi Province suffered from flood, and the Company donated RMB100,000 to provide aid to the disaster-hit area.

In 2021, the Company strove to deliver positive values and social positive energy to the audience and promote the values of social equality, peace and justice through the launch of excellent drama series. Under the background of the epidemic, the Company promoted the drama series, Breath of Destiny (一起深呼吸), which told the moving stories of Chinese doctors dispatched for foreign medical aid challenging harsh environments, sparing no effort to save lives, and practicing the professional beliefs of medical workers, and stimulated the confidence and enthusiasm of the people in anti-pandemic and patriotic belief.

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, 2021, 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 2019, 2020 and 2021 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 Relevant 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. The Company is committed to providing an eco-friendly energy environment for our staff and 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, 2021 are set out in the consolidated financial statements of this report.

The Board has resolved not to recommend payment of a final dividend for the year ended December 31, 2021.

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 gifts and annual health checkups. The Group also adopted RSU Scheme 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 enhance 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, 2021, 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 212 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, 2021, the Group's sales to its five largest customers accounted for 88.33% of the Group's total revenue, and the Group's sales to its single largest customer accounted for 57.41% of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2021, the Group's purchases from its five largest suppliers accounted for 38.22% of the Group's total purchases, and the Group's purchases from its largest supplier accounted for 9.87% 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, Mr. Wang Jun, Ms. Zeng Ying and Ms. Liu Fan (each of Mr. Wang Xiaohui, Mr. Wang Jun, Ms. Zeng Ying and Ms. Liu Fan is a Director and also holds office in iQIYI), none of the Directors, their respective close 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 2021 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, 2021 are set out in Note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Group in 2021 are set out on pages 117 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

Our distributable reserves comprise undistributed profits. As of December 31, 2021, the Company's reserves available for distribution, amounted to approximately RMB1,361.5 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, 2021 are set out in Note 25 to the financial statements.

DIRECTORS

The Directors during the year ended December 31, 2021 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
Mr. Wang Jun *(resigned on April 27, 2021)*
Ms. Zeng Ying *(appointed on April 27, 2021 and 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, Ms. Zhang Qiuchen, Mr. Chen Chen and Ms. Zhai Fang, each an executive Director, shall retire by rotation at the AGM, and they being eligible, will offer themselves for re-election at the AGM.

In accordance with article 113 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director, provided that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Ms. Liu Fan, a non-executive Director appointed by the Board on April 19, 2022 to fill a casual vacancy, will be subject to 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 and Mr. Wang Jun (resigned on April 27, 2021), 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.

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, 2021, the Group had 55 employees. Total staff remuneration expenses including Directors' remuneration in 2021 amounted to RMB30.6 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 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.

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 158 to 161 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 Relevant 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, 2021, 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 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 Relevant Period.

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

As of December 31, 2021, the interest or short position of the Directors or chief executives 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 of the Company

Name of Director	Nature of interest	Number of Shares[1]	Approximate percentage of shareholding[1]
Mr. Liu	Founder of a discretionary trust[2]	290,480,000	41.81%
	Interest held through voting powers entrusted by other persons[3]	109,520,000	15.76%
Ms. Zhai	Founder of a discretionary trust[4]	32,000,000	4.61%

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

Interests in the 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, 2021 (without taking into account the Shares which may be allotted and issued upon the exercise of the 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.

(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 our 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 in underlying Shares of the Company

Name of Director	Nature of interest	Number of underlying Shares subject to the Pre-IPO Share Options	Approximate percentage of shareholding[1]
Mr. Liu	Interest in a controlled corporation[2]	37,648,000	5.42%

Notes:

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as of December 31, 2021 (without taking into account the Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Options).

(2) Gorgeous Horizon, being the beneficial owner of the 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.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVES 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, 2021, so far as it was known to the Directors or chief executives of the Company, none of the Directors or the chief executives 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, 2021 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

As recommended by the remuneration committee of the Board and approved by the Board on November 4, 2021, (i) the monthly remuneration of Mr. Liu Xiaofeng had been adjusted from RMB30,000 to RMB50,000; and (ii) the monthly remuneration of Ms. Zhai Fang had been adjusted from RMB30,000 to RMB50,000, both with effect from November 4, 2021. As recommended by the remuneration committee of the Board and approved by the Board on March 25, 2022, (i) the monthly remuneration of Mr. Liu Xiaofeng had been further adjusted from RMB50,000 to RMB80,000; (ii) the monthly remuneration of Ms. Zhai Fang had been further adjusted from RMB50,000 to RMB80,000; and (iii) the monthly remuneration of Mr. Chen Chen had been adjusted from RMB30,000 to RMB80,000, all with effect from April 1, 2022.

Ms. Zeng Ying resigned as a non-executive Director on April 19, 2022 in order to devote more time to focus on her other business commitments. Ms. Liu Fan had been appointed as a non-executive Director with effect from April 19, 2022. For details, please refer to the announcement of the Company dated April 19, 2022.

Save as disclosed above and in this report, there have been no changes in the information of Directors and chief executives of the Company since the publication of the 2021 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, 2021, so far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors and chief executives 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
Master Sagittarius	Beneficiary of trust[1]	290,480,000	41.81%
Master Genius	Interest in a controlled corporation[1]	290,480,000	41.81%
Leading Glory	Beneficial interest[1][2]	290,480,000	41.81%
Gorgeous Horizon	Beneficial interest[1]	37,648,000	5.42%
Success Tale	Interest in a controlled corporation[1]	37,648,000	5.42%
Employee Trust Hong Kong	Trustee[1]	37,648,000	5.42%
Ms. Liu	Founder of a discretionary trust[3]	73,600,000	10.59%
Gold Pisces	Beneficiary of trust[3]	73,600,000	10.59%
Beyond Vast	Interest in a controlled corporation[3]	73,600,000	10.59%
Glesason Global	Beneficial interest[3]	73,600,000	10.59%
Taurus Holding	Beneficial interest[4]	97,320,000	14.01%
iQIYI, Inc.	Interest in a controlled corporation[4]	97,320,000	14.01%
Baidu Holdings Limited	Interest in a controlled corporation[4]	97,320,000	14.01%
Baidu, Inc.	Interest in a controlled corporation[4]	97,320,000	14.01%
Li Yanhong	Interest in a controlled corporation[4]	97,320,000	14.01%
Family Trust Singapore	Trustee[1]	290,480,000	41.81%
	Trustee[3]	73,600,000	10.59%
	Trustee[5]	32,000,000	4.61%
Ma Sean	Interest in a controlled corporation[6]	96,000,000	13.82%
Snow Lake Capital (HK) Limited	Investment manager[6]	96,000,000	13.82%
Snow Lake China Master Fund, Ltd.	Beneficial interest[6]	80,000,000	11.51%
Snow Lake China Offshore Fund, Ltd.	Interest in a controlled corporation[6]	80,000,000	11.51%

Notes:

(1) 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 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.

(2) 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.

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

Notes: (cont'd)

(3) 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.

(4) Taurus Holding is wholly owned by iQIYI, Inc., which is owned as to 91.70% by Baidu Holdings Limited, a wholly-owned subsidiary of Baidu, Inc. Baidu, Inc. is owned as to 56.40% by Li Yanhong. Therefore, each of iQIYI, Inc., 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.

(5) 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.

(6) Snow Lake Capital (HK) Limited is wholly owned by Ma Sean. Therefore, Ma Sean is deemed to be interested in the Shares held by Snow Lake Capital (HK) Limited by virtue of the SFO.

Snow Lake China Master Fund, Ltd. is owned as to 83.95% by Snow Lake China Offshore Fund, Ltd. Therefore, Snow Lake China Offshore Fund, Ltd. is deemed to be interested in the Shares held by Snow Lake China Master Fund, Ltd. by virtue of the SFO.

57,320,000 of 96,000,000 Shares are underlying Shares held through derivative interests. 38,680,000 Shares are currently held by Snow Lake Capital (HK) Limited, representing approximately 5.57% of the Shares in issue as of the date of this report.

Save as disclosed above, as of December 31, 2021, the Directors were not aware of any persons (who were not directors or chief executives 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 a pre-IPO share option scheme (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 Board may determine any Directors and employees of any member of the Group (including nominees and/or trustees of any employee benefit trusts established for them), which the Board considers, in its sole discretion, have contributed to the Group, to take up options to subscribe for Shares. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme and the maximum entitlement of each participant under the Pre-IPO Share Option Scheme at any time shall not exceed 37,648,000 Shares, representing 5.68% of the Shares in issue as at the Listing Date and 5.42% of the total issued share capital of the Company as of the date of this report.

PRE-IPO SHARE OPTION SCHEME (CONT'D)

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. An option may be accepted by a participant within 10 business days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Pre-IPO Share Option Scheme. A nominal consideration of RMB1.00 is payable by a grantee upon acceptance of the grant of the options.

The subscription price in relation to each Share issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme shall be determined by the Board at its discretion and set out in the relevant offer, provided that it shall not be less than the nominal value of a Share as at the date of grant.

On May 11, 2020, an aggregate of 37,648,000 Pre-IPO Share Options, representing 5.68% of the Shares in issue as at the Listing Date and 5.42% of the total issued share capital of the Company as of the date of this report, had been conditionally granted to Mr. Liu, our founder, an executive Director and the chief executive officer of our Company, to recognise his significant contribution to our Group. As of the date of this report, all of the Pre-IPO Share Options were not exercised, cancelled, forfeited or lapsed, and remained outstanding.

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.

RSU SCHEME

On September 15, 2021, the Company approved and adopted the RSU Scheme 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. Eligible Participants of the 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 will be granted to any Excluded Person.

The RSU Scheme shall be valid and effective for a term of ten (10) years commencing from September 15, 2021. The total number of Shares underlying the RSUs to be granted to the Selected Participants pursuant to the RSU Scheme shall not exceed 20,639,010 Shares, representing approximately 3% of the total number of Shares in issue as at the adoption date, being September 15, 2021. For details, please refer to the announcement of the Company dated September 15, 2021.

RSU SCHEME (CONT'D)

Details of the RSUs Granted under the RSU Scheme

As disclosed in the announcement of the Company dated November 4, 2021, the Board has resolved to grant an aggregate of 16,780,000 RSUs, representing 16,780,000 underlying Shares, to 59 Selected Participants (the "**Grantees**") at nil consideration pursuant to the RSU Scheme, all of which were accepted by the Grantees. The Grantees include: (i) employees of the Company; (ii) senior management of subsidiaries of the Company; and (iii) business partners of the Group.

The vesting schedule of the 16,780,000 RSUs granted to the Grantees shall be as follows:

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

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;

iii. in relation to 9,300,000 RSUs granted: one-third of the RSUs shall vest on January 1, 2023, January 1, 2024, and January 1, 2025, respectively;

iv. 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; and

v. in relation to 3,000,000 RSUs granted: 25% of the RSUs shall vest on January 1, 2023, January 1, 2024, January 1, 2025, and January 1, 2026, respectively.

The RSUs shall vest in the Grantees in accordance with the above vesting schedule and subject to satisfaction of the vesting conditions (if any) as set out in the respective letter pursuant to which RSUs are granted to the Grantees.

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

Date of grant	Number of Shares underlying the RSUs outstanding as of December 31, 2020	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Number of Shares underlying the RSUs outstanding as of December 31, 2021	Approximate percentage of shareholding as of December 31, 2021
November 4, 2021	–	16,780,000	2,016,000	–	14,764,000	2.13%

After the Reporting Period, on April 19, 2022, the Board has resolved to grant an aggregate of 3,859,000 RSUs, representing 3,859,000 underlying Shares and approximately 0.56% of the total number of Shares in issue as at the date of this report, to six Selected Participants, who are business partners of the Group, at nil consideration pursuant to the RSU Scheme, subject to acceptance by the Selected Participants. For details, please refer to the announcement of the Company dated April 19, 2022.

EQUITY-LINKED AGREEMENTS

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

CONNECTED TRANSACTIONS

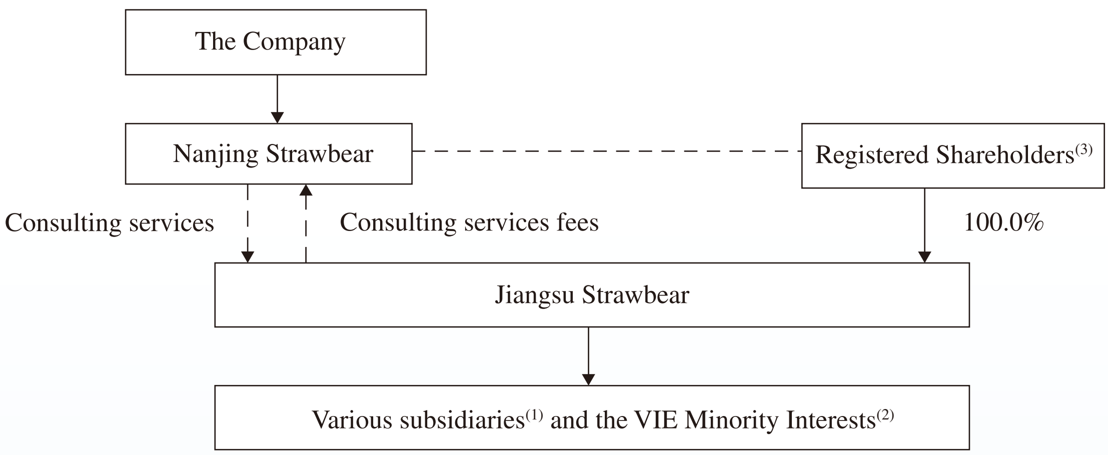
Pursuant to the requirements of the Listing Rules, the transactions between the Company and its connected persons constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Listing Rules. The followings are the non-exempt connected transactions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

Contractual Arrangements

The Group conducts its 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 direct 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). On November 26, 2021, Jiangsu Strawbear disposed 90.1% equity interest in Nova Film and Nova Film ceased to be one of the Consolidated Affiliated Entities. For details, please refer to the announcement of the Company dated November 26, 2021. Hainan Magic Stone, Hainan Yiming, Hainan Jiujun and Hainan Xuxuxing were all established in 2021.

(2) These refer to the 15% equity interest in Nanjing Wuyi Cultural Media Co., Ltd. (南京無一文化傳媒有限公司), 25% 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% 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% equity interest in Jingling Cultural Media (Hainan) Co., Ltd. (鯨靈文化傳媒(海南)有限公司) and 49% equity interest in Hainan Miduoqi Entertainment Co., Ltd. (海南米多奇娛樂有限公司) held by Jiangsu Strawbear, all of which were established or acquired by Jiangsu Strawbear in 2021.

(3) As of the date of this report, Jiangsu Strawbear was held as to 100% 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%**

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 10 years. Subject to compliance with the Listing Rules, the Exclusive Business Cooperation Agreement shall be automatically renewed for a term of 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 includes Jiangsu Strawbear and its subsidiaries and VIE Minority Interests. The principle 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, 2021		As of December 31, 2021	
	Revenue	% of total revenue	Total assets	% of the total assets
	(RMB in thousands, except percentages)			
Consolidated Affiliated Entities	**1,633,456**	**95.91%**	**2,478,252**	**87.24%**

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 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 National People's Congress (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 coming into effect of 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 the 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 owe additional taxes could substantially reduce its consolidated net income and the value of your 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 have 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 upon Listing 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.

CONNECTED TRANSACTIONS (CONT'D)

Contractual Arrangements (cont'd)

Material Changes

Save as disclosed above, there were no other 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, 2021, 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.

Partially-exempt Continuing Connected Transactions

Summary of the Material Terms of the Continuing Connected Transaction Agreements

Screenplays Development Framework Agreement

On December 18, 2020, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) and iQIYI, Inc. (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 will expire on December 31, 2022, and such term would automatically renew for a term of three years unless it serves written notice to cease cooperation.

Visual Effects Post-Production Service Purchasing Framework Agreement

On December 18, 2020, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) and Aite Visual Innovation Digital Technology Wuxi Co., Ltd. (艾特視創數字科技無錫有限公司) ("**Aite Visual Innovation**") entered into a visual effects post-production service purchasing framework agreement (the "**Visual Effects Post-Production Service Purchasing Framework Agreement**"), pursuant to which Aite Visual Innovation shall provide visual effects post-production services for the Company's self-produced drama series, and the Company shall pay visual effects production fees to Aite Visual Innovation. The initial term of the Visual Effects Post-Production Service Purchasing Framework Agreement commenced on the Listing Date and expired on May 15, 2021, after which Aite Visual Innovation ceased to be a connected person of the Company. Therefore, any transaction entered or to be entered into between Aite Visual Innovation and the Group from then on no longer constitute continuing connected transactions of the Company.

CONNECTED TRANSACTIONS (CONT'D)

Partially-exempt Continuing Connected Transactions (cont'd)

Reasons for the Transactions and Pricing Policies

Screenplays Development Framework Agreement

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 its 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 Group 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 IP.

Visual Effects Post-Production Service Purchasing Framework Agreement

As a major drama series producer in the PRC, the Group has a high demand for visual effects post-production services for its drama series. Given that the ordinary visual effects post-production process is relatively labor-intensive, the Group tends to engage third parties to carry out the ground works in a relatively cost-effective manner. As such, the purchasing of visual effects post-production services under the Visual Effects Post-Production Service Purchasing Framework Agreement are in the ordinary and usual course of the Group's business. In addition, the prices and terms offered by Aite Visual Innovation to the Group are no less favorable than those offered by its other suppliers which are Independent Third Parties, hence the visual effects post-production services purchasing arrangements under the Visual Effects Post-Production Service Purchasing Framework Agreement are in the interests of the Group and its Shareholders as a whole.

The visual effects production fees Aite Visual Innovation charges the Group shall be determined after arm's length negotiation between the parties with reference to the prevailing market price and various commercial factors, including the duration of the visual effects to be added, the corresponding production difficulty level of such visual effects, the number of digital assets involved and the corresponding production difficulty level of such digital assets. The aforesaid pricing policies are no less favorable than those provided by the Group's other independent suppliers.

CONNECTED TRANSACTIONS (CONT'D)

Partially-exempt Continuing Connected Transactions (cont'd)

Annual Caps and Historical Amounts during the Reporting Period

Pursuant to the Prospectus, the maximum total amount of fees receivable/payable by the Group under the partially-exempt continuing connected transactions for the year ended December 31, 2021 and the year ending December 31, 2022 should not exceed the caps set out below:

	Proposed annual caps for the years ended/ending December 31, 2021 (RMB in millions)	2022
Total amount of fees receivable under the Screenplays Development Framework Agreement	3.0	3.0
Total amount of fees payable under the Visual Effects Post-Production Service Purchasing Framework Agreement	20.0	N/A

During the year ended December 31, 2021, the total amount of fees receivable under the Screenplays Development Framework Agreement amounted to nil, and the total amount of fees payable under the Visual Effects Post-Production Service Purchasing Framework Agreement amounted to nil, which fall within the proposed annual cap as set out above.

Listing Rules Implications

iQIYI, Inc. 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, Inc. is a connected person of the Company.

Aite Visual Innovation is a company owned as to approximately 46.8% (as at the date of entering into the Visual Effects Post-Production Service Purchasing Framework Agreement) by Mr. Mi Chunlin (米春林) ("**Mr. Mi**"), a former director of Nova Film who resigned from his directorship at Nova Film with effect from May 16, 2020, and hence an associate of Mr. Mi ceased to be the connected person from May 15, 2021, being the end of the twelve months from the date of Mr. Mi's resignation. Therefore, the transactions contemplated under the Visual Effects Post-Production Service Purchasing Framework Agreement before May 15, 2021 constitute continuing connected transactions of the Company under the Listing Rules as Aite Visual Innovation was a connected person of the Company then. As Aite Visual Innovation ceased to be a connected person of the Company from May 16, 2021, any transactions entered or to be entered into between Aite Visual Innovation and the Group from then on no longer constitute continuing connected transactions of the Company.

As the highest applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of these transactions are expected to be, 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 will be exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS (CONT'D)

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

On December 18, 2020, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) and iQIYI, Inc. (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 will expire on December 31, 2022, and such term would automatically renew for a term of three years unless the Company serves written notice to cease cooperation.

Drama Series Copyrights Licensing Framework Agreement and New Framework Agreement

On December 18, 2020, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) and iQIYI, Inc. (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 will expire on December 31, 2022, and such term would automatically renew for a term of three years unless the Company serves written notice to cease cooperation.

On January 19, 2022, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) entered into a copyright licensing framework agreement (the "**New Framework Agreement**") with iQIYI, pursuant to which, the Group shall license the copyrights (including but not limited to the broadcasting right, 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 New Framework Agreement for the years ending December 31, 2022, 2023 and 2024 are RMB1,440 million, RMB1,840 million and RMB2,340 million, respectively. The Drama Series Copyrights Licensing Framework Agreement was terminated upon the New Framework Agreement took effect. 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

On December 18, 2020, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) and iQIYI, Inc. (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 will expire on December 31, 2022, and such term would automatically renew for a term of three years unless the Company serves written notice to cease cooperation.

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, Inc. (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 will expire on December 31, 2022, and such term would automatically renew for a term of three years unless the Company serves written notice to cease cooperation.

Reasons for the Transactions and Pricing Policies

Made-to-order Drama Series Production Framework Agreement

The Group is an early mover in collaborating with online video platforms and provide 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 a market-leading online entertainment service provider in China which distributes popular, trend-setting content, including made-to-order drama series. As such, the Group's services provided to iQIYI under the Made-to-order Drama Series Production Framework Agreement are in the ordinary and usual course of its business. In addition, the terms offered by the Group to iQIYI under the existing underlying agreements are no more favorable than those offered to its other customers which are Independent Third Parties and it will charge iQIYI a pre-determined fixed fee with the level of profit margin that is no less than those offered to its other independent customers. Given that iQIYI is a market-leading online entertainment service provider in China and has abundant capital capacity and massive user base, providing the made-to-order drama series production services to iQIYI would diversify the Group's revenue sources and hedge the operational risks of a single business resulting from the evolving market and regulatory restrictions. Therefore, the made-to-order drama series production services provided to iQIYI are profitable and are in the interests of the Group and its Shareholders as a whole.

The Group primarily charges iQIYI a pre-determined fixed fee 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.

CONNECTED TRANSACTIONS (CONT'D)

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

Reasons for the Transactions and Pricing Policies (cont'd)

Drama Series Copyrights Licensing Framework Agreement

The Group commenced producing its own drama series and licensing the related copyrights of these self-produced drama series to major TV channels and online video platforms since its inception. Substantially all of these self-produced drama series are broadcast on TV channels and/or online video platforms. 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 are in the ordinary and usual course of the Group's business.

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, the Group believes it 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 drama series and contents. In addition, the prices and terms offered by the Group to iQIYI are no more favorable than those offered to its other customers which are Independent Third Parties, hence the copyrights licensing arrangements under the Drama Series Copyrights Licensing Framework Agreement are profitable and are in the interests of the Group and its Shareholders as a whole.

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.

Drama Series Broadcasting Rights Purchasing Framework Agreement

The Group commenced licensing broadcasting rights of drama series from online video platforms to TV channels or third-party agents in 2017. Such business model has diversified its revenue streams and further enhanced its 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 drama series under the Drama Series Broadcasting Rights 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 its other suppliers which are Independent Third Parties, hence the broadcasting rights purchasing arrangements under the Drama Series Broadcasting Rights Purchasing Framework Agreement are profitable and are in the interests of the Group and its Shareholders as a whole.

The licensing fees iQIYI charges the Group 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.

CONNECTED TRANSACTIONS (CONT'D)

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

Reasons for the Transactions and Pricing Policies (cont'd)

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 Group 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 its Shareholders as a whole.

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.

Annual Caps and Historical Amounts during the Reporting Period

Pursuant to the Prospectus, the maximum total amount of fees receivable/payable by iQIYI under the non-exempt continuing connected transactions for the year ended December 31, 2021 and the year ending December 31, 2022 should not exceed the caps set out below:

	Proposed annual caps for the years ended/ending December 31,	
	2021	**2022**
	(RMB in millions)	
Total amount of fees receivable under the Made-to-order Drama Series Production Framework Agreement	790.0	1,300.0
Total amount of fees receivable under the Drama Series Copyrights Licensing Framework Agreement	460.0	440.0
Total amount of fees payable under the Drama Series Broadcasting Rights Purchasing Framework Agreement	100.0	116.0
Total amount of fees payable under the Distribution Revenue Sharing Framework Agreement	45.0	45.0

During the year ended December 31, 2021, the total amount of fees receivable under the Made-to-order Drama Series Production Framework Agreement amounted to RMB540.2 million, the total amount of fees receivable under the Drama Series Copyrights Licensing Framework Agreement amounted to RMB437.5 million, the total amount of fees payable under the Drama Series Broadcasting Rights Purchasing Framework Agreement amounted to RMB91.5 million, and the total amount of fees payable under the Distribution Revenue Sharing Framework Agreement amounted to RMB14,000, which fall within the proposed annual cap as set out above.

CONNECTED TRANSACTIONS (CONT'D)

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

Listing Rules Implications

iQIYI, Inc. 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 Drama Series Copyrights Licensing Framework Agreement, the New Framework Agreement, the Drama Series Broadcasting Rights Purchasing Framework Agreement and the Distribution Revenue Sharing Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules upon Listing as iQIYI, Inc. 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 these transaction are expected to, 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.

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.

CONNECTED TRANSACTIONS (CONT'D)

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

Annual Review by the Independent Non-executive Directors and the Auditors (cont'd)

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, 2021, there is no other related party transaction or continuing related party transaction set out in Note 34 to the financial statements which constitutes discloseable connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules (as amended from time to time).

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, the Group's Controlling Shareholders have executed the Deed of Non-competition in favor of the Company on December 18, 2020. Pursuant to the Deed of Non-competition, the Controlling Shareholders and/or their respective close associates (other than members of our 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, 2021. No new business opportunity was informed by them as of December 31, 2021.

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, 2021.

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 Relevant Period.

PRE-EMPTIVE RIGHTS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 34 to the financial statements and in the section headed "Connected Transactions" of Directors' Report in this report, neither contract of significance made between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, nor contract of significance made for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the year ended December 31, 2021.

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 Relevant Period.

DONATIONS

During the Reporting Period, the Group made charitable and other donations in an aggregate amount of RMB0.1 million.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

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.

INTERESTS OF COMPLIANCE ADVISOR

With effect from November 15, 2021, the Company and Messis Capital Limited ("**Messis Capital**") have mutually agreed to terminate the compliance advisor agreement entered into between the Company and Messis Capital dated June 12, 2020 (the "**Messis Agreement**"). The Company has appointed Goldlink Capital (Corporate Finance) Limited ("**Goldlink Capital**") as the new compliance advisor of the Company and signed a compliance advisor agreement with Goldlink Capital (the "**Goldlink Capital Agreement**") with effect from November 15, 2021. For further details, please refer to the announcement of the Company dated November 4, 2021.

As notified by Messis Capital and Goldlink Capital respectively, save for the Messis Capital Agreement and Goldlink Capital Agreement, neither Messis Capital nor Goldlink Capital, as the compliance advisor of the Company during the respective periods, nor any of their directors, employees or close associates (as defined under the Listing Rules) had any interest in the Group or in the share capital of the Company or any member of the Group which is required to be notified to the Company pursuant to the Listing Rules as at December 31, 2021.

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 95 to 108 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 Relevant Period and as at 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, 2021.

AUDITOR

The Company has appointed Ernst & Young as the auditor of the Company for the year ended December 31, 2021. 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, 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the Relevant 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 since the Listing Date. 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 Relevant 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 his/her office or employment, is 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 Relevant 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 Relevant Period.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 (which has been re-arranged as code provision C.2.1 since January 1, 2022) 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 it 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 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 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
Mr. Wang Jun *(resigned on April 27, 2021)*
Ms. Zeng Ying *(appointed on April 27, 2021 and 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 Relevant 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 Relevant 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 and Mr. Wang Jun (resigned on April 27, 2021), 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.

In addition, article 113 of the Articles of Association provides that all Directors appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

Accordingly, Ms. Zhang Qiuchen, Mr. Chen Chen and Ms. Zhai Fang as executive Directors and Ms. Liu Fan as non-executive Director (appointed on April 19, 2022) 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, 2021 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, 2021 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 *(Chairman)*	(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)
Mr. Wang Jun *(resigned on April 27, 2021)*	(1)&(2)
Ms. Zeng Ying *(appointed on April 27, 2021 and resigned on April 19, 2022)*	(1)&(2)
Ms. Liu Fan *(appointed on April 19, 2022)*	N/A
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.

Board 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.

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 Environment, Social and Governance Committee.

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.

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. Mr. Wang Jun used to be member of Audit Committee and he resigned on April 27, 2021 while Ms. Zeng Ying was appointed on April 27, 2021. Ms. Zeng Ying used to be 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 Relevant Period, the Audit Committee held 2 meetings, which were attended by all members of the Audit Committee, and reviewed, among other things, the audited consolidated financial statements of the Group for the year ended December 31, 2020, the unaudited consolidated results of the Group for the six months ended June 30, 2021, and the effectiveness of the risk management and internal control systems of the Company.

According to code provision C.3.3(e)(i) (which has been re-arranged as code provision D.3.3(e)(i) since January 1, 2022) 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. However, the members of Audit Committee met once with the external auditor during the year ended December 31, 2021. The Company will arrange the members of the Audit Committee to meet with the external auditor at least twice a year.

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

Name of Directors	Attended/Eligible to attend
Mr. Zhang Senquan *(Chairman)*	2/2
Mr. Wang Jun *(resigned on April 27, 2021)*	1/1
Ms. Zeng Ying *(appointed on April 27, 2021 and resigned on April 19, 2022)*	1/1
Ms. Liu Fan *(appointed on April 19, 2022)*	N/A
Mr. Chung Chong Sun	2/2

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 packages of each Director and senior management, the remuneration policy and structure for all Directors and senior management; and reviewing and approving compensations payable to the Directors and senior management.

During the Relevant Period, the Remuneration Committee held 3 meetings, which were attended by all members of the Remuneration Committee, and reviewed, among other things, the remuneration package of the Directors and the remuneration policy of the Group's senior management.

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

Name of Directors	Attended/Eligible to attend
Mr. Ma Zhongjun *(Chairman)*	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 their 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 Relevant 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 *(Chairman)*	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.

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.

Since the Environmental, Social and Governance Committee was established with effect on March 25, 2022, no meeting of the Environmental, Social and Governance Committee was held in 2021.

BOARD COMMITTEES (CONT'D)

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 detail 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 Relevant Period, the Board held 7 meetings, and considered, among other things, (i) the 2020 annual results and annual report; (ii) change of Directors; (iii) the 2021 interim results and interim report; (iv) adoption of the RSU Scheme; (v) discloseable transactions; (vi) adjustment of Director's remuneration; (vii) change of Compliance Advisor; and (viii) renewal of continuing connected transactions. One Board meeting was held on March 25, 2022, 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, 2021.

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 Relevant Period is set out in the table below:

Name of Directors	Attended/Eligible to attend Board	Attended/Eligible to attend General meeting
Executive Directors		
Mr. Liu Xiaofeng *(Chairman)*	7/7	1/1
Ms. Zhang Qiuchen	7/7	1/1
Mr. Chen Chen	7/7	1/1
Ms. Zhai Fang	7/7	1/1
Non-Executive Directors		
Mr. Wang Xiaohui	4/7	1/1
Mr. Wang Jun *(resigned on April 27, 2021)*[(1)]	2/2	0/0
Ms. Zeng Ying *(appointed on April 27, 2021 and resigned on April 19, 2022)*[(2)]	5/5	1/1
Ms. Liu Fan *(appointed on April 19, 2022)*	N/A	N/A
Independent Non-executive Directors		
Mr. Zhang Senquan	7/7	1/1
Mr. Ma Zhongjun	6/7	1/1
Mr. Chung Chong Sun	7/7	1/1

Notes:

(1) Mr. Wang Jun resigned as a non-executive Director, and ceased to be a member of the Audit Committee with effect from April 27, 2021 due to personal health reason.

(2) 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 the independent non-executive Directors without the presence of other Directors during the Relevant 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, 2021.

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 109 to 211 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, 2021, 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)	1,160,000
Total	3,960,000

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 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 improve 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, 2021 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 functions 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, a then senior manager 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, the joint company secretary of the Company. Mr. Wong Keith Shing Cheung resigned as the joint company secretary of the Company and Ms. Zhang Xiao was appointed as the joint company secretary of the Company, both with effect from March 25, 2022. For details, please refer to the announcement of the Company dated March 25, 2022.

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)
Mr. Wong Keith Shing Cheung *(resigned on March 25, 2022)*	(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, 2021, Ms. Zhai Fang and Mr. Wong Keith Shing Cheung were fully in compliance with the Rule 3.29 of the Listing Rules as both 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.

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 Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings 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 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.

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 at 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.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted the Articles of Association on December 18, 2020, which has been effective from the Listing Date. During the Relevant Period, the said Articles of Association did not have any change. 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 are subject to the approval by the Shareholders at the general meeting of the Company by way of a special resolution. For details, please refer to the announcement of the Company dated March 25, 2022.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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Quarry Bay, Hong Kong

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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 114 to 211, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONT’D)

Key audit matter	How our audit addressed the key audit matter
Amortisation of inventories	
During the year ended 31 December 2021, the amounts of inventories recognised as costs of sales amounted to RMB1,186,879,000. 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. 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. The Group’s disclosures about the amortisation of inventories are included in notes 2.4 and 3 to the financial statements.	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 2021 and performed the recalculation of management’s estimated revenue for each drama series.

KEY AUDIT MATTERS (CONT'D)

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill	
The carrying amount of goodwill at 31 December 2021 was RMB108,341,000. The Group performs its impairment test of goodwill on an annual basis. Management's annual impairment test is important to our audit because the assessment process is complex and requires significant judgement and estimates including cash-generating unit identification, gross profit margin, pre-tax discount rate and terminal growth rate. The Group's disclosures about the impairment testing of goodwill are included in notes 2.4, 3 and 15 to the financial statements.	We evaluated management's identification of 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.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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
25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
REVENUE	*5*	**1,703,064**	952,362
Cost of sales		**(1,186,879)**	(692,541)
Gross profit		**516,185**	259,821
Other income and gains	*5*	**44,145**	24,882
Selling and distribution expenses		**(227,353)**	(80,972)
Administrative expenses		**(56,578)**	(61,043)
Impairment of trade receivables, net	*20*	**(6,460)**	(6,974)
Other expenses		**(1,235)**	–
Finance costs	*7*	**(22,008)**	(9,944)
Share of profits and losses of:			
Joint ventures	*17*	**1,904**	307
Associates	*18*	**(831)**	–
Changes in fair value of financial liabilities at fair value through profit or loss		**(1,610)**	(77,657)
PROFIT BEFORE TAX	*6*	**246,159**	48,420
Income tax expense	*10*	**(76,781)**	(30,228)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**169,378**	18,192
Attributable to:			
Owners of the parent		**169,249**	18,430
Non-controlling interests		**129**	(238)
		169,378	18,192
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*12*	**25.1 cents**	4.6 cents
Diluted (RMB)	*12*	**24.2 cents**	4.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**2,898**	9,411
Right-of-use assets	*14(a)*	**7,828**	7,916
Goodwill	*15*	**108,341**	112,983
Other intangible assets	*16*	**14,514**	26,192
Investments in joint ventures	*17*	**5,532**	14,818
Investments in associates	*18*	**6,037**	–
Deferred tax assets	*26*	**5,716**	24,774
Total non-current assets		**150,866**	196,094
CURRENT ASSETS			
Inventories	*19*	**1,100,009**	856,338
Trade and notes receivables	*20*	**802,959**	440,731
Prepayments, other receivables and other assets	*21*	**363,208**	238,840
Due from a joint venture	*34(b)*	**29,590**	–
Restricted cash		**–**	2,319
Pledged deposits	*22*	**91,139**	30,000
Cash and cash equivalents	*22*	**302,796**	95,598
Total current assets		**2,689,701**	1,663,826
CURRENT LIABILITIES			
Trade payables	*23*	**256,828**	238,351
Other payables and accruals	*24*	**454,569**	587,759
Interest-bearing bank and other borrowings	*25*	**278,341**	159,000
Lease liabilities	*14(b)*	**3,302**	2,250
Due to a joint venture	*34(b)*	**–**	73,295
Tax payable		**15,893**	5,259
Dividend payable		**48,000**	80,000
Total current liabilities		**1,056,933**	1,145,914
NET CURRENT ASSETS		**1,632,768**	517,912
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,783,634**	714,006

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss	*27*	–	475,428
Lease liabilities	*14(b)*	3,889	5,270
Deferred tax liabilities	*26*	6,513	8,671
Total non-current liabilities		10,402	489,369
Net assets		1,773,232	224,637
EQUITY			
Equity attributable to owners of the parent			
Share capital	*28*	112	–
Treasury shares	*28*	(17,053)	–
Reserves	*29*	1,790,273	223,707
		1,773,332	223,707
Non-controlling interests		(100)	930
Total equity		1,773,232	224,637

Mr. Liu Xiaofeng
Director

Mr. Chen Chen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent							
	Share capital RMB'000 (note 28)	Capital reserve RMB'000 (note 29)	Statutory surplus reserve RMB'000 (note 29)	Share award or option reserve RMB'000 (note 29)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	–	10,000	8,089	41,951	134,411	194,451	–	194,451
Total comprehensive income for the year	–	–	–	–	18,430	18,430	(238)	18,192
Equity-settled share option expenses	–	–	–	10,729	–	10,729	–	10,729
Acquisition of subsidiaries	–	–	–	–	–	–	1,265	1,265
Acquisition of non-controlling interests	–	97	–	–	–	97	(97)	–
Transfer to statutory reserve	–	–	5,231	–	(5,231)	–	–	–
At 31 December 2020	–	10,097	13,320	52,680	147,610	223,707	930	224,637

	Attributable to owners of the parent									
	Share capital RMB'000 (note 28)	Share premium RMB'000 (note 28)	Capital reserve RMB'000 (note 29)	Statutory surplus reserve RMB'000 (note 29)	Treasury shares RMB'000 (note 28)	Share award and option reserve RMB'000 (note 29)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 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

* These reserve accounts comprise the consolidated other reserves of RMB1,790,273,000 (2020: RMB223,707,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		246,159	48,420
Adjustments for:			
Depreciation of property, plant and equipment	13	3,307	2,511
Depreciation of right-of-use assets	14(a)	2,603	1,883
Amortisation of other intangible assets	16	1,574	29,410
Interest income from loans receivable		(3,222)	(10,010)
Interest income from amount due from a joint venture		(840)	–
Share of profits of joint ventures		(1,904)	(307)
Share of losses of associates		831	–
Finance costs		22,008	9,944
Equity-settled share award and option expenses		21,424	10,729
Changes in fair value of financial liabilities at fair value through profit or loss		1,610	77,657
Net foreign exchange differences		(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)	(152)
Gain on disposal of an associate		–	(56)
Loss on disposal of a joint venture		1,133	–
Gain on disposal of subsidiaries		(721)	–
Gain on lease termination		(60)	–
Reversal of write-down of inventories to net realisable value		(13,820)	–
Impairment of trade receivables, net	20	6,460	6,974
		279,121	177,003
(Increase)/decrease in inventories		(228,412)	66,437
(Increase)/decrease in trade and notes receivables		(393,696)	49,593
(Increase)/decrease in prepayments, other receivables and other assets		(108,929)	30,331
Decrease in amount due from a related party		–	3,000
Decrease in restricted cash		2,319	51,993
Increase/(decrease) in trade payables		19,948	(221,107)
Decrease in other payables and accruals		(119,003)	(103,654)
Cash (used in)/generated from operations		(548,652)	53,596
Income tax paid		(50,647)	(40,843)
Net cash flows (used in)/from operating activities		(599,299)	12,753

	Notes	2021 RMB'000	2020 RMB'000
Net cash flows (used in)/from operating activities		**(599,299)**	12,753
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,824)**	(2,569)
Proceeds from disposal of items of property, plant and equipment		**1,420**	244
Interest received from loans receivable		**8,578**	7,205
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 subsidiaries, net of cash acquired		**–**	(47,629)
Purchase of shareholding of associates		**(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		**(82,000)**	–
Repayment of advances of loans to third parties		**65,600**	95,760
Disposal of an associate		**–**	356
Disposal of a joint venture		**14,000**	–
Disposal of subsidiaries	*32*	**(3,232)**	–
Increase in pledged deposits		**(61,139)**	(30,000)
Net cash flows (used in)/from investing activities		**(95,433)**	23,367
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial liabilities at fair value through profit or loss		**–**	108,250
New bank loans		**288,700**	191,000
Proceeds from initial public offering	*28*	**933,460**	–
Share issue expense	*28*	**(25,497)**	(7,416)
Proceeds from a joint venture		**–**	20,000
Proceeds from borrowings from third parties		**39,000**	–
Repayment of bank loans		**(175,000)**	(167,500)
Repayment of borrowings from third parties		**(11,000)**	(15,000)
Repayment of a joint venture		**(74,996)**	–
Repayment of an amount due to a related party		**–**	(100,000)
Dividend paid		**(40,000)**	(1,507)
Interest paid		**(10,903)**	(18,804)
Repurchase of shares		**(19,381)**	–
Principal portion of lease payments		**(2,784)**	(1,894)
Net cash flows from financing activities		**901,599**	7,129

Consolidated Statement of Cash Flows
Year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**206,867**	43,249
Effect of foreign exchange rate changes, net		**331**	–
Cash and cash equivalents at beginning of year		**95,598**	52,349
CASH AND CASH EQUIVALENTS AT END OF YEAR		**302,796**	95,598
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*22*	**302,796**	95,598
Cash and cash equivalents as stated in the consolidated statement of cash flows and consolidated statement of financial position		**302,796**	95,598

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 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 TV/Web series ("**drama series**").

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 Direct	Indirect	Principal activities
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))*	PRC/Mainland China 13 June 2014	RMB10,000,000	–	100%	Investment in production, distribution and licensing of broadcasting rights of drama series

1. CORPORATE AND GROUP INFORMATION (CONT'D)

Information about subsidiaries (cont'd)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Horgos Strawbear Film Co., Ltd. ("**Horgos Strawbear**") (霍爾果斯稻草熊影業有限公司)* *(note (b))*	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**") (北京稻草熊影業有限公司)* *(note (b))*	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**") (杭州懿德文化創意有限公司)*	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**") (無錫稻草熊文化傳媒有限公司)*	PRC/Mainland China 4 June 2020	RMB1,000,000	–	60%	Screenplay development and assessment
Hainan Yiming Culture Media Technology Co., Ltd. ("**Hainan Yiming** ") (海南翼鳴文化傳媒科技有限公司)* *(note (b))*	PRC/Mainland China 1 November 2021	RMB5,000,000	–	100%	Investment in production, distribution and licensing of broadcasting rights of drama series

1. CORPORATE AND GROUP INFORMATION (CONT'D)

Information about subsidiaries (cont'd)

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 Xuxuxing Culture Media Technology Co., Ltd. ("**Hainan Xuxuxing**") (海南徐徐行文化傳媒科技有限公司)* *(note (b))*	PRC/Mainland China 26 November 2021	RMB3,000,000	–	80%	Investment in production, distribution and licensing of broadcasting rights of drama series
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))*	PRC/Mainland China 23 April 2021	RMB3,000,000	–	100%	Investment in production, distribution and licensing of broadcasting rights of drama series
Hainan Jiujun Audio-visual Communication Co., Ltd. ("**Hainan Jiujun**") (海南九珺視聽傳播有限公司)* *(note (b))*	PRC/Mainland China 6 July 2021	RMB3,000,000	–	80%	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) 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 and Hainan Xuxuxing (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.

* The English names of these entities registered in the PRC represent the best efforts made by the 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 comprehensive income, financial assets at fair value through profit or loss 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 2021. 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.

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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19 – Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, 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 in October 2020 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

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 3 are intended to 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* 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 expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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 HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. 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. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 assessing the impact of the amendments on the Group's accounting policy disclosures.

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

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 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 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.

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, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. 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)

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 expected to be 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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%
Mechanical equipment	19.0%

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 commercialization 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	2-5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statements of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 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.

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. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 6 months 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets (cont'd)

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 financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, 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, financial liabilities at fair value through profit or loss, amount due to a joint venture and a related party, dividend payable and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities (cont'd)

Subsequent measurement (cont'd)

Financial liabilities at fair value through profit or loss (cont'd)

The Group designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in profit or loss.

Subsequent to initial recognition, the preferred shares are carried at fair value with changes in fair value recognised in profit or loss.

The preferred shares are classified as non-current liabilities because the holders of the preferred shares cannot demand the Company to redeem the preferred shares until at least 12 months after the end of each reporting periods.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and cash equivalents (cont'd)

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.

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. 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 as consideration 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 2021 was RMB28,175,000 (2020: RMB14,895,000). Further details are contained in note 26 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 2021 was RMB108,341,000 (2020: RMB112,983,000). Further details are given in note 15.

Fair value measurement of share-based payments

The Company operates a share award plan for the purpose of providing incentives and rewards to employees (including directors) and non-employees. The fair value of the share award is determined using a binomial model at the grant dates. Significant estimates on assumptions, including the expected volatility, risk-free interest rate and expected life of options, are made by the board of directors of the Company. Further details are included in note 30 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue form external customers

	2021 RMB'000	2020 RMB'000
Mainland China	1,702,176	952,362
Others	888	–
	1,703,064	952,362

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 2021 and 2020 is set out below:

	2021 RMB'000	2020 RMB'000
Customer 1	977,701	553,164
Customer 2	170,473	N/A

* 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:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	**1,703,064**	947,534
Revenue from other sources		
Net licensing fee received from investments in drama series as a non-executive producer with share of copyrights	**–**	4,828
	1,703,064	952,362

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Types of goods or services		
Licensing of the broadcasting rights of drama series	**1,107,249**	625,084
Made-to-order drama series production	**540,188**	280,189
Others	**55,627**	42,261
Total revenue from contracts with customers	**1,703,064**	947,534
Geographical markets		
Mainland China	**1,702,176**	947,534
Others	**888**	–
Total revenue from contracts with customers	**1,703,064**	947,534

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

Revenue from contracts with customers (cont'd)

(i) Disaggregated revenue information (cont'd)

	2021 RMB'000	2020 RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	**1,112,447**	658,622
Services transferred over time	**590,617**	288,912
Total revenue from contracts with customers	**1,703,064**	947,534

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.

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	**300,163**	318,268

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:

	2021 RMB'000	2020 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**156,000**	132,075

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:

	2021 RMB'000	2020 RMB'000
Government grants – related to income *(note)*	**26,955**	12,551
Bank interest income	**4,922**	560
Investment income from financial assets at fair value through profit or loss	**19**	–
Investment income from the co-investment arrangements in drama series	**1**	1,033
Interest income from loans receivable	**3,222**	10,010
Interest income from amount due from a joint venture	**840**	–
Gain on disposal of items of property, plant and equipment	**542**	152
Gain on disposal of an associate	**–**	56
Gain on disposal of subsidiaries	**721**	–
Net foreign exchange differences	**6,860**	–
Gain on lease termination	**60**	–
Others	**3**	520
	44,145	24,882

Note:

The government grants mainly represent incentives awarded by the local governments to support the Group's operation. There were no unfulfilled conditions or contingencies attached to these government grants.

6. PROFIT BEFORE TAX

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

	Notes	**2021 RMB'000**	2020 RMB'000
Cost of inventories sold		**1,200,699**	692,541
Depreciation of property, plant and equipment	*13*	**3,307**	2,511
Depreciation of right-of-use assets	*14(a)*	**2,603**	1,883
Amortisation of other intangible assets*	*16*	**1,574**	29,410
Government grants	*5*	**(26,955)**	(12,551)
Bank interest income	*5*	**(4,922)**	(560)
Investment income from financial assets at fair value through profit or loss	*5*	**(19)**	–
Interest income from loans receivable	*5*	**(3,222)**	(10,010)
Interest income from amount due from a joint venture	*5*	**(840)**	–
Changes in fair value of financial liabilities at fair value through profit or loss		**1,610**	77,657
Lease payments not included in the measurement of lease liabilities	*14(c)*	**918**	1,385
Listing expenses		**1,725**	24,304
Auditor's remuneration		**2,800**	2,279
Employee benefit expense (excluding directors' and chief executive's remuneration (*note 8*)):			
Wages and salaries		**5,697**	4,297
Equity-settled share award expenses		**4,258**	–
Pension scheme contributions**		**739**	104
Staff welfare expenses		**90**	131
		10,784	4,532
Gain on disposal of items of property, plant and equipment	*5*	**(542)**	(152)
Gain on lease termination	*5*	**(60)**	–
Share of profits of joint ventures		**(1,904)**	(307)
Share of losses of associates		**831**	–
Gain on disposal of subsidiaries	*5*	**(721)**	–
Loss on disposal of a joint venture		**1,133**	–
Reversal of write-down of inventories to net realisable value***		**(13,820)**	–
Impairment of trade receivables, net	*20*	**6,460**	6,974

* 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 reversal of 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:

	2021 RMB'000	2020 RMB'000
Interest on bank loans	9,982	6,825
Interest on borrowings from third parties	1,903	1,130
Interest on discounted notes receivable	3,938	566
Interest on discounted trade receivables	5,850	–
Interest on borrowings from a related party	–	1,246
Interest on lease liabilities	335	177
	22,008	9,944

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:

	2021 RMB'000	2020 RMB'000
Fees	600	–
Other emoluments:		
Salaries, allowances and benefits in kind	1,908	1,152
Performance related bonuses	–	291
Pension scheme contributions	143	11
Equity-settled share option expenses	17,166	10,729
	19,817	12,183

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:

	2021 RMB'000	2020 RMB'000
Mr. Ma Zhongjun	200	–
Mr. Zhang Senquan	200	–
Mr. Chung Chong Sun	200	–
	600	–

There were no other emoluments payable to the independent non-executive directors during the year (2020: 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
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

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

Executive directors, non-executive directors and the chief executive (cont'd)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expenses RMB'000	Total remuneration RMB'000
2020						
Executive directors:						
Mr. Liu Xiaofeng	–	400	150	3	10,729	11,282
Mr. Chen Chen	–	291	100	3	–	394
Ms. Zhang Qiucheng	–	171	41	2	–	214
Ms. Zhai Fang	–	290	–	3	–	293
	–	1,152	291	11	10,729	12,183
Non-executive directors:						
Mr. Wang Xiaohui	–	–	–	–	–	–
Mr. Wang Jun	–	–	–	–	–	–
	–	1,152	291	11	10,729	12,183

* 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 (2020: 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.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one director (2020: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2020: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	441	188
Pension scheme contributions	55	2
Equity-settled share award expenses	2,583	–
	3,079	190

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	
	2021	2020
Nil to HK$1,000,000	4	1

During the year, share awards were granted to a non-director and non-chief executive highest paid employee 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.

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 first year in which 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稅優惠目錄》, and was entitled to such EIT exemption since 2019. According to the Filing Record of Preferential EIT《企業所得稅優惠事項備案表》, 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 Technology (Jiangsu) Co., Ltd. ("**Nova Film**") is recognised as a High and New Technology Enterprise, and was entitled to a preferential tax rate of 15% (2020: 15%) during the year. Hainan Jiujun, Hainan Xuxuxing and Hainan Yiming are recognised as Small and Low-profit Enterprises, and the first RMB1,000,000 of assessable profits of these subsidiaries are taxed at 2.5% and the remaining assessable profits are 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:

	2021 **RMB'000**	2020 RMB'000
Current – Mainland China		
Charge for the year	**58,577**	34,054
Deferred tax *(note 26)*	**18,204**	(3,826)
Total tax charge for the year	**76,781**	30,228

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:

	2021 RMB'000	2020 RMB'000
Profit before tax	**246,159**	48,420
Tax at the statutory tax rate of 25% in Mainland China	**61,540**	12,105
Effect of tax rate differences in other jurisdictions	**(16)**	19,414
Tax effect of tax exemption granted to subsidiaries	**433**	(4,245)
Expenses not deductible for tax	**12,350**	2,728
Tax losses utilised from previous periods	**(809)**	–
Tax losses not recognised	**3,283**	226
Tax charge at the Group's effective tax rate	**76,781**	30,228

11. DIVIDENDS

The board of directors (the "**Board**") has resolved not to recommend payment of a final dividend for the year ended 31 December 2021 (2020: 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 2021, as adjusted to reflect the shares repurchased under the RSU Scheme during the year. The weighted average number of ordinary shares for the year ended 31 December 2020 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 2020.

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 conversion of all preferred shares into ordinary shares and 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:

	2021 RMB'000	2020 RMB'000
Earnings Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**169,249**	18,430
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	**170,859**	18,430

	Number of shares	
	2021	2020
Shares Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**673,808,984**	400,000,000
Effect of dilution – weighted average number of ordinary shares:		
Preferred shares	**3,732,822**	–
Restricted share units	**583,514**	–
Share options	**28,815,336**	–
	706,940,656	400,000,000

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

13. PROPERTY, PLANT AND EQUIPMENT

	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 *(note 32(b))*	(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

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 2020						
At 1 January 2020:						
Cost	411	4,254	526	1,263	–	6,454
Accumulated depreciation	(247)	(2,277)	(293)	(972)	–	(3,789)
Net carrying amount	164	1,977	233	291	–	2,665
At 1 January 2020, net of accumulated depreciation	164	1,977	233	291	–	2,665
Additions	203	916	116	928	406	2,569
Acquisition of a subsidiary	3,829	–	287	32	2,604	6,752
Disposals	(2)	(62)	–	–	–	(64)
Depreciation provided during the year	(893)	(829)	(224)	(375)	(190)	(2,511)
At 31 December 2020, net of accumulated depreciation	3,301	2,002	412	876	2,820	9,411
At 31 December 2020:						
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

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 2020	894
Additions	8,814
Additions as a result of acquisition of a subsidiary	91
Depreciation provided during the year *(note 6)*	(1,883)
As at 31 December 2020 and at 1 January 2021	7,916
Additions	3,583
Reduction as a result of lease termination	(1,068)
Depreciation provided during the year *(note 6)*	(2,603)
As at 31 December 2021	7,828

(b) Lease liabilities

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

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**7,520**	509
New leases	**3,583**	8,814
Additions as a result of acquisition of a subsidiary	**–**	91
Accretion of interest recognised during the year	**335**	177
Reduction as a result of lease termination	**(1,128)**	–
Payments	**(3,119)**	(2,071)
Carrying amount at 31 December	**7,191**	7,520
Analysed into:		
Current portion	**3,302**	2,250
Non-current portion	**3,889**	5,270

The maturity analysis of lease liabilities is disclosed in note 37 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:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**335**	177
Depreciation charge of right-of-use assets	**2,603**	1,883
Expenses relating to short term leases (included in administrative expenses)	**918**	1,385
Total amount recognised in profit or loss	**3,856**	3,445

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

15. GOODWILL

	2021 RMB'000	2020 RMB'000
Cost and net carrying amount at beginning of year	**112,983**	108,341
Acquisition of a subsidiary	**–**	4,642
Disposal of a subsidiary *(note 32 (b))*	**(4,642)**	–
Cost and net carrying amount at end of year	**108,341**	112,983

On 26 November 2021, Jiangsu Strawbear, a consolidated affiliated entity of the Company, entered into a share repurchase agreement, pursuant to which Jiangsu Strawbear agreed to dispose of 90.1% equity interest in Nova Film Technology (Jiangsu) Co., Ltd. ("Nova Film") at a consideration of RMB14,195,000 to a third party. Upon completion, Nova Film ceased to be a consolidated affiliated entity of the Company.

Impairment testing of goodwill

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

Hangzhou Yide cash-generating unit which is engaged in the production of drama series.

15. GOODWILL (CONT'D)

Impairment testing of goodwill (cont'd)

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

	As at 31 December 2021 %	As at 31 December 2020 %
Gross profit margin	**14**	14
Terminal growth rate	**3**	3
Pre-tax discount rate	**20.2**	19.4

Nova Film cash-generating unit

	As at 31 December 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:

	2021 RMB'000	2020 RMB'000
Hangzhou Yide cash-generating unit	**108,341**	108,341
Nova Film cash-generating unit	**–**	4,642
Total	**108,341**	112,983

15. GOODWILL (CONT'D)

Key assumptions used in the value in use calculation

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

Cash-generating unit	Key assumptions
Hangzhou Yide	• Gross profit margin and operating expenses • Pre-tax discount rate • Terminal growth rate

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.

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

Terminal growth rate – the rate is based on published industry research.

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	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 *(note 32(b))*	(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
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

17. INVESTMENTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Share of net assets	**5,532**	14,818

The Group's balances and transactions with the joint ventures are disclosed in note 34 to the financial statements.

Certain joint ventures were disposed of by the Group to a third party at a cash consideration of RMB14,000,000 in May 2021, resulting in a net loss on disposal of RMB1,133,000.

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

	2021 RMB'000	2020 RMB'000
Share of the joint ventures' profits for the year	**1,904**	307
Share of the joint ventures' total comprehensive income for the year	**1,904**	307
Aggregate carrying amount of the Group's investments in joint ventures	**5,532**	14,818

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

18. INVESTMENTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets	**6,037**	–

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

	2021 RMB'000	2020 RMB'000
Share of the associates' losses for the year	**(831)**	–
Share of the associates' total comprehensive loss for the year	**(831)**	–
Aggregate carrying amount of the Group's investments in joint ventures	**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.

19. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**144,203**	78,631
Work in progress	**776,873**	331,339
Finished goods	**178,933**	446,368
	1,100,009	856,338

20. TRADE AND NOTES RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**712,174**	443,022
Notes receivable	**108,070**	10,000
	820,244	453,022
Impairment	**(17,285)**	(12,291)
	802,959	440,731

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:

	2021 RMB'000	2020 RMB'000
Within 3 months	**232,121**	115,162
3 to 6 months	**217,522**	218,206
6 to 12 months	**193,852**	2,268
1 to 2 years	**51,251**	86,291
2 to 3 years	**143**	4,169
Over 3 years	**–**	4,635
	694,889	430,731

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 2021

	Trade receivables ageing					
	Current	Less than 1 year and past due	1 to 2 years and past due	2 to 3 years and past due	More than 3 years and past due	Total
Expected credit loss rate	0.03%	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

As at 31 December 2020

	Trade receivables ageing					
	Current	Less than 1 year and past due	1 to 2 years and past due	2 to 3 years and past due	More than 3 years and past due	Total
Expected credit loss rate	Note (a)	1.07%	6.33%	33.75%	100.00%	2.77%
Gross carrying amount RMB'000	197,646	144,163	92,119	6,293	2,801	443,022
Expected credit losses RMB'000	–	1,538	5,828	2,124	2,801	12,291

Note:

(a) The Group estimated the expected credit loss rate to be minimal on the current trade receivables.

20. TRADE AND NOTES RECEIVABLES (CONT'D)

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

	2021 RMB'000	2020 RMB'000
At beginning of year	**12,291**	6,485
Impairment losses recognised *(note 6)*	**6,460**	6,974
Disposal of a subsidiary *(note 32(b))*	**(405)**	–
Amount written off as uncollectible	**(1,061)**	(1,168)
At end of year	**17,285**	12,291

The increase in the loss allowance of RMB6,460,000 (2020: RMB6,974,000) was mainly due to an increase of trade receivables which were past due.

Included in the Group's trade receivables were amounts due from the Group's related parties of RMB240,816,000 (2020: RMB107,203,000), 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 RMB649,438,000 (2020: RMB379,791,000) were pledged to secure the bank loans granted to the Group (note 25).

At 31 December 2021, notes receivable of RMB20,000,000 (2020: Nil), 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 RMB88,070,000 (2020: RMB10,000,000) were measured at amortised cost.

At 31 December 2021, 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 RMB41,370,000 (2020: RMB10,000,000). In addition, at 31 December 2021, the Group discounted certain notes receivable accepted by certain banks in Mainland China (the "**Discounted Notes**") with a carrying amount in aggregate of RMB79,200,000 (2020: Nil). 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 RMB40,500,000 (2020: Nil) as at 31 December 2021 (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 2021, the Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade payables settled with an amount of RMB870,000 (2020: RMB10,000,000), and to recognise the proceeds received from the discount of the remaining Discounted Notes with an amount of RMB79,200,000 (2020: Nil) 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 RMB3,938,000 (2020: RMB566,000).

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments under the co-investment arrangements	**76,283**	52,108
Prepayments *(note (a))*	**177,509**	115,103
Deductible input value-added tax	**44,541**	26,791
Prepaid income tax	**8,148**	5,444
Deposits and other receivables	**25,431**	11,796
Prepaid listing expenses	**–**	7,416
Loans receivable *(note (b))*	**31,296**	20,182
	363,208	238,840

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

Notes:

(a) Included in the prepayments are prepayments to the Group's related parties of RMB4,500,000 (2020: RMB3,310,000).

(b) Loans receivable represent the financial investments in certain drama series and loans provided to third parties. Included in the loans receivable, RMB27,000,000 (2020: RMB10,600,000) 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 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**

As at 31 December 2020

	Effective interest rate	Maturity	RMB'000
Denominated in RMB	12%	31 December 2020	10,600

An impairment analysis was performed at the end of each reporting period. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

As at 31 December 2021 and 2020, the Group estimated that the expected loss rate for loans receivable, deposits and other receivables was minimal under the 12-month expected credit loss method.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**302,796**	95,598
Time deposits	**91,139**	30,000
	393,935	125,598
Less: Pledged time deposits:		
Pledged for short term bank loans	**91,139**	30,000
Cash and cash equivalents	**302,796**	95,598
Denominated in:		
RMB	**297,157**	95,598
HK$	**5,639**	–
Total cash and cash equivalents	**302,796**	95,598

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, 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.

23. TRADE PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**256,828**	238,351

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

	2021 RMB'000	2020 RMB'000
Within 3 months	**92,640**	89,143
3 to 6 months	**16,230**	64,966
6 to 12 months	**103,550**	29,447
1 to 2 years	**33,608**	50,837
2 to 3 years	**7,555**	3,958
Over 3 years	**3,245**	–
	256,828	238,351

Included in the trade payables were trade payables of RMB61,944,000 (2020: RMB16,083,000) 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.

24. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Contract liabilities *(note (a))*	**392,603**	411,006
Other payables *(note (b))*	**42,649**	66,085
Other tax payables	**13,943**	26,990
Accrued liabilities	**4,547**	71,223
Interest payable	**484**	308
Payroll and welfare payable	**343**	630
Amount received under the co-investment arrangements		
– without share of copyrights	**–**	11,517
	454,569	587,759

Notes:

(a) Details of contract liabilities are as follows:

	2021 RMB'000	2020 RMB'000
Short-term advances received from customers		
Licensing of the broadcasting rights of drama series	**156,000**	77
Made-to-order drama series production	**236,603**	406,793
Others	**–**	4,136
Total contract liabilities	**392,603**	411,006

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 RMB286,603,000 (2020: RMB406,793,000).

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

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2021 RMB'000
Current			
Bank loan – secured *(note (a))*	5.22	2022	130,213
Bank loan – secured *(note (b))*	5.22	2022	30,048
Discounted notes receivable – secured *(note (c))*	5.00	2022	79,200
Bank loan – unsecured	4.85	2022	10,015
Other borrowing – unsecured	8.00	2022	28,865
			278,341

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

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

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**249,476**	159,000
Other borrowing repayable:		
Within one year	**28,865**	–
	278,341	159,000

Notes:

(a) The Group's bank loans are secured by the pledge of certain of the Group's trade receivables amounting to RMB544,438,000 (2020: RMB379,791,000) and short term deposits amounting to RMB30,529,000 (2020: RMB30,000,000) and are guaranteed by the Company (2020: guaranteed by subsidiaries).

(b) The Group's bank loan is secured by the pledge of certain of the Group's trade receivables amounting to RMB105,000,000 (2020: Nil) and is guaranteed by subsidiaries.

(c) The Group's discounted notes receivable are secured by the pledge of short term deposits amounting to RMB60,610,000 (2020: Nil).

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

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of trade receivables	Accrued expenses	Write-down of inventories	Unrealised profit attributed to the intra-group transaction	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	1,621	22,444	3,988	–	–	28,053
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	1,452	(4,639)	(533)	428	1,551	(1,741)
Gross deferred tax assets at 31 December 2020 and 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 *(note 32(b))*	(61)	–	–	–	–	(61)
Gross deferred tax assets at 31 December 2021	4,321	1,137	–	226	1,681	7,365

26. DEFERRED TAX (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 2020	14,012	–	14,012
Fair value adjustments arising from acquisition of a subsidiary	1,764	–	1,764
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	(7,223)	1,656	(5,567)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	8,553	1,656	10,209
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	(852)	170	(682)
Disposal of a subsidiary *(note 32(b))*	(1,365)	–	(1,365)
Gross deferred tax liabilities at 31 December 2021	6,336	1,826	8,162

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:

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**5,716**	24,774
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(6,513)**	(8,671)
	(797)	16,103

26. DEFERRED TAX (CONT'D)

The Group has tax losses arising in Mainland China of RMB28,175,000 (2020: RMB14,895,000), that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses 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 2021, 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 RMB404,646,000 (2020: RMB239,320,000).

27. 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). On 15 January 2021, all Series A Shares were fully converted to ordinary shares.

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

	RMB'000
As at 1 January 2020	289,521
Issue of preferred shares	108,250
Changes in fair value	77,657
As at 31 December 2020 and 1 January 2021	475,428
Changes in fair value	1,610
Conversion of preferred shares to ordinary shares	(477,038)
As at 31 December 2021	–

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 at the end of the reporting period.

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.

Significant unobservable inputs

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

Quantitative sensitivity analysis

	2020 RMB'000
1 year increase in time to exit event	183
1% increase in risk-free rate	(163)
1% decrease in risk-free rate	201
10% increase in equity volatility	70
10% decrease in equity volatility	(211)
5% increase in DLOM	N/A
5% decrease in DLOM	N/A
1% increase in DLOM	(4,865)
1% decrease in DLOM	4,865

28. SHARE CAPITAL

Shares	2021 US$'000	2020 US$'000
Authorised:		
2,000,000,000 (2020: 2,000,000,000) ordinary shares of US$0.000025 each	**50**	50
Issued and fully paid:		
694,747,000 (2020: 400,000,000) ordinary shares of US$0.000025 each	**17**	10

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 2020	10,000	–	–	–	–
Share subdivision on 11 May 2020	399,990,000	–	–	–	–
At 31 December 2020 and 1 January 2021	400,000,000	–	–	–	–
Conversion of preferred shares to ordinary shares *(note (a))*	97,320,000	16	477,022	–	477,038
Issue of shares from initial public offering *(note (b))*	165,780,000	83	811,622	–	811,705
Exercise of the over-allotment option *(note (c))*	24,867,000	12	121,743	–	121,755
Share issue expenses	–	–	(32,913)	–	(32,913)
Issue of shares for the RSU Scheme *(note (d))*	6,780,000	1	–	(1)	–
Repurchase of shares *(note (e))*	–	–	–	(19,381)	(19,381)
Restricted share units vested *(note (f))*	–	–	(2,329)	2,329	–
At 31 December 2021	694,747,000	112	1,375,145	(17,053)	1,358,204

28. SHARE CAPITAL (CONT'D)

Notes:

(a) Upon completion of the initial public offering on 15 January 2021, each issued Series A Shares was converted into an ordinary share. As a result, the financial liabilities for Series A Shares were derecognised and recorded as share capital and share premium.

(b) On 15 January 2021, the Company was listed on the Stock Exchange and 165,780,000 ordinary shares of par value US$0.000025 each were issued at a price of HK$5.88 per share. The proceeds of HK$99,000 (equivalent to RMB83,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$974,687,000 (equivalent to RMB811,622,000) before issuing expenses were credited to the share premium account.

(c) On 10 February 2021, 24,867,000 over-allotment ordinary shares of par value US$0.000025 each were issued at a price of HK$5.88 per share. The proceeds of HK$14,000 (equivalent to RMB12,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$146,203,000 (equivalent to RMB121,743,000) before issuing expenses were credited to the share premium account.

(d) On 9 November 2021, 6,780,000 new shares were allotted and issued by the Company to the trustee under the RSU Scheme to hold on trust for the grantees of the restricted share units.

(e) During the period from 6 December 2021 to 10 December 2021, 10,000,000 shares were repurchased for the trustee under the RSU Scheme to hold on trust for the grantees of the restricted share units at a total cash consideration of RMB19,381,000.

(f) On 11 November 2021, 2,016,000 restricted share units were vested and transferred to the grantees.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 117 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 or 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. 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 in 2021:

	Weighted average exercise price US$ per share	Number of options '000
At 1 January 2020	–	–
Granted during the year	**0.000025**	**37,648**
At 31 December 2020, 1 January 2021 and 31 December 2021	**0.000025**	**37,648**

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 RMB17,166,000 during the year (2020: RMB10,729,000).

The fair value of equity-settled share options granted in 2020 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted.

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

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

(b) RSU Scheme

The Company has adopted a RSU Scheme to reward employees of the Company, senior management of subsidiaries of the Company, and business partners (including top artists such as directors, screenwriters, 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 Group granted restricted share units ("**RSUs**") of the Company under the RSU Scheme.

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 RSU Scheme pursuant to the Rules. The RSU Scheme shall be subject to the administration of the Board and the Trustee in accordance with the terms of the RSU Scheme and, where applicable, the Trust Deed.

The RSU Scheme shall be valid and effective for a term of ten years commencing from the date on which the Board adopted the RSU Scheme.

On 4 November 2021, the Company granted an aggregate of 16,780,000 RSUs, representing 16,780,000 underlying shares, to 59 eligible participants approved by the Board for participation in the RSU Scheme on the relevant grant date (the "**Grantees**") at nil consideration pursuant to the RSU Scheme, all of which were accepted by the Grantees. The grant of an aggregate of 16,780,000 RSUs to the Grantees shall be satisfied by (i) the issue and allotment of 6,780,000 new shares at par value to the Trustee pursuant to the general mandate; and (ii) 10,000,000 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.

The vesting schedule of the 16,780,000 RSUs granted to the Grantees shall be as follows:

(i) In relation to the 1,600,000 RSUs granted: The RSUs shall vest on 11 November 2021;

(ii) In relation to the 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. There is no performance target required except that the eligible participant remains as an employee of the Group during the vesting period;

(iii) In relation to the 9,300,000 RSUs granted: One-third of the RSUs shall vest on 1 January 2023, 1 January 2024, and 1 January 2025, respectively. There are performance targets required;

(iv) In relation to the 800,000 RSUs granted: 25% of the RSUs shall vest on 25 January 2023, 25 January 2024, 25 January 2025, and 25 January 2026, respectively. There are performance targets required;

(v) In relation to the 3,000,000 RSUs granted: 25% of the RSUs shall vest on 1 January 2023, 1 January 2024, 1 January 2025, and 1 January 2026, respectively. There are performance targets required.

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

(b) RSU Scheme (cont'd)

The following awarded shares were outstanding under the RSU Scheme during the year:

	Number of shares held for the 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	–	14,764,000

The fair value of RSUs estimated by management is based on the closing price of the Group's stock on the valuation base date, taking into account the effect of illiquidity discounts during lock-up periods. The following table lists the inputs used:

	As at 4 November 2021	As at 31 December 2021
Liquidity discount (%)	7.00%	8.00%

The fair value of the RSUs granted during the year was RMB32,449,000.

During the year, the Group recorded share-based compensation of RMB5,007,000, of which RMB4,258,000 was recognised to profit or loss, RMB644,000 was recognised in inventories and 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.

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 RMB3,583,000 (2020: RMB8,814,000) in respect of lease arrangements for office premises.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Amount due to a related party 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 2020	125,000	105,926	51,000	1,370	509	289,521
Additions	–	–	–	–	8,814	–
Changes from financing cash flows	8,500	(100,000)	20,000	–	(1,894)	108,250
Changes in fair value of financial liabilities at fair value through profit or loss	–	–	–	–	–	77,657
Acquisition of a subsidiary	25,500	–	–	–	91	–
Interest accrued	–	1,246	4,167	8,521	177	–
Interest paid	–	(7,172)	(1,872)	(9,583)	(177)	–
At 31 December 2020 and 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	278,341	–	–	484	7,191	–

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:

	2021 RMB'000	2020 RMB'000
Within operating activities	918	1,385
Within financing activities	2,784	2,071
	3,702	3,456

32. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Beijing Honeybear Entertainment Cultural Media Co., Ltd ("**Beijing Honeybear**")

	31 January 2021 RMB'000
Net assets disposed of:	
Prepayments, other receivables and other assets	48
Cash and cash equivalents	402
Other payables and accruals	(67)
Non-controlling interests	(188)
	195
Gain on disposal of a subsidiary	–
	195
Satisfied by:	
Cash	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

Cash consideration	–
Cash and bank balances disposed of	402
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(402)

32. DISPOSAL OF SUBSIDIARIES (CONT'D)

(b) Disposal of Nova Film

	Notes	26 November 2021 RMB'000
Net assets disposed of:		
Cash and cash equivalents		**7,562**
Trade receivables		**13,569**
Prepayments, other receivables and other assets		**7,076**
Property, plant and equipment	*13*	**4,140**
Other intangible assets	*16*	**10,104**
Deferred tax assets	*26*	**61**
Interest-bearing bank borrowings		**(23,500)**
Trade payables		**(1,471)**
Other payables and accruals		**(6,373)**
Deferred tax liabilities	*26*	**(1,365)**
Non-controlling interests		**(971)**
		8,832
Goodwill		**4,642**
Gain on disposal of a subsidiary		**721**
		14,195
Satisfied by:		
Cash		**14,195**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

Cash consideration received	**4,732**
Cash and bank balances disposed of	**(7,562)**
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(2,830)**

The consideration for the disposal was in the form of cash of RMB14,195,000, of which RMB4,732,000 shall be paid on or before 30 November 2021, RMB4,732,000 shall be paid on or before 31 October 2022 and RMB4,731,000 shall be paid on or before 31 October 2023.

33. COMMITMENTS

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

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Drama series	**429,528**	185,111

34. RELATED PARTY TRANSACTIONS

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

Name	Relationship with the Company
Zhao Min	Close family member of a shareholder
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	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
Beijing Qiyi Century Technology Co., Ltd. ("**Qiyi Century**")	An entity controlled by a shareholder
Beijing iQIYI Internet Technology Co., Ltd. ("**iQIYI Internet**")	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
Wuxi Youkong Yinghua Media Co., Ltd. ("**Youkong Yinghua**")*	A former associate of the Group
Nanjing Huawen Strawbear Cultural Partnership (Limited Partnership) ("**Nanjing Huawen**")**	A former joint venture of the Group

* The associate was disposed of by the Group to a third party in May 2020.

** The joint venture was disposed of by the Group to a third party in May 2021.

34. RELATED PARTY TRANSACTIONS (CONT'D)

(a) The Group had the following transactions with related parties during the year:

	Notes	**2021 RMB'000**	2020 RMB'000
Sales of goods to:			
Qiyi Century		**–**	2,288
iQIYI Internet		**–**	74,367
Beijing iQIYI	*(i)*	**680,446**	463,301
Hainan iQIYI	*(i)*	**297,255**	13,208
Purchases of goods from:			
Beijing iQIYI	*(ii)*	**91,483**	27,050
iQIYI Internet		**–**	920
Youkong Yinghua		**–**	458
Dongyang Chestnutbear	*(ii)*	**4,492**	–
Beijing Honeybear	*(ii)*	**387**	–
Xingyu Yinyue	*(ii)*	**23,585**	–
Loan from:			
Nanjing Huawen	*(iii)*	**–**	20,000
Repayments of loan to:			
Beijing iQIYI		**–**	100,000
Nanjing Huawen	*(iii)*	**71,000**	–
Interest expense to:			
Beijing iQIYI		**–**	1,246
Nanjing Huawen	*(iii)*	**1,605**	4,149
Loans to:			
Shanghai Shaoyin		**–**	3,000
Hainan Miduoqi	*(iv)*	**8**	–
Xingyu Yinyue	*(v)*	**28,750**	–
Interest income from:			
Xingyu Yinyue	*(v)*	**840**	–
Repayments of loans from:			
Zhao Min		**–**	3,000
Shanghai Shaoyin		**–**	3,000
Hainan Miduoqi	*(iv)*	**8**	–

34. RELATED PARTY TRANSACTIONS (CONT'D)

(a) The Group had the following transactions with related parties during the year (cont'd):

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 obtained an unsecured loan from Nanjing Huawen to invest in drama series, while the amount of RMB30,000,000 bears interest at 10% per annum, the amount of RMB21,000,000 is interest-free, and the amount of RMB20,000,000 bears interest at 10% per annum, which has been fully repaid during the year.

(iv) The Group provided a loan to Hainan Miduoqi and the loan was unsecured and interest-free and has been fully repaid during the year.

(v) The Group provided a loan to Xingyu Yinyue in 2021 and the loan is unsecured and bears interest at 5% per annum.

(b) Outstanding balances with related parties:

(i) Trade receivables

	2021 RMB'000	2020 RMB'000
iQIYI Internet	–	93,203
Beijing iQIYI	109,734	–
Hainan iQIYI	131,082	14,000
	240,816	107,203

(ii) Prepayments, other receivables and other assets

	2021 RMB'000	2020 RMB'000
Dongyang Chestnutbear	4,500	–
Youkong Yinghua	–	3,310
	4,500	3,310

34. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Outstanding balances with related parties (cont'd):

(iii) Trade payables

	2021 RMB'000	2020 RMB'000
Beijing iQIYI	38,359	15,163
iQIYI Internet	–	920
Xingyu Yinyu	23,585	–
	61,944	16,083

(iv) Other payables and accruals

	2021 RMB'000	2020 RMB'000
Beijing iQIYI	286,603	406,793

(v) Due from a joint venture

	2021 RMB'000	2020 RMB'000
Xingyu Yinyue	29,590	–

(vi) Due to a joint venture

	2021 RMB'000	2020 RMB'000
Nanjing Huawen	–	73,295

Except for the loan to Xingyu Yinyue stated in note (a)(vi) above and the balances detailed elsewhere in notes 20, 21, 23 and 24, the balances with related parties are unsecured, interest-free and repayable on demand.

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

The related party transactions in respect of (a)(i) and (a)(ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

34. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Compensation of key management personnel of the Group:

	2021 RMB'000	2020 RMB'000
Fees	600	–
Salaries, allowances and benefits in kind	1,908	1,443
Equity-settled share option expenses	17,166	10,729
Pension scheme contributions	143	11
Total compensation paid to key management personnel	19,817	12,183

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

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at fair value through other comprehensive income		
	Debt investments RMB'000	Financial assets at amortised cost RMB'000	Total 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

35. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (cont'd)

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total 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. 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):

2020

Financial assets

	Financial assets at amortised cost RMB'000	Total RMB'000
Notes receivable	10,000	10,000
Trade receivables	430,731	430,731
Financial assets included in prepayments, other receivable and other assets	31,978	31,978
Restricted cash	2,319	2,319
Pledged deposits	30,000	30,000
Cash and cash equivalents	95,598	95,598
	600,626	600,626

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss	475,428	–	475,428
Trade payables	–	238,351	238,351
Lease liabilities	–	7,520	7,520
Interest-bearing bank and other borrowings	–	159,000	159,000
Financial liabilities included in other payables and accruals	–	149,133	149,133
Due to a joint venture	–	73,295	73,295
Dividend payable	–	80,000	80,000
	475,428	707,299	1,182,727

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, dividend payable and interest-bearing bank and other borrowings, lease liabilities and amount due from/to 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 and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of 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 2021 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.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONT'D)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

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

The Group did not have any financial assets measured at fair value as at 31 December 2020.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONT'D)

Fair value hierarchy (cont'd)

Liabilities measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss	–	–	475,428	475,428

The changes in Level 3 instruments of financial liabilities at fair value through profit or loss for the years ended 31 December 2021 and 2020 are presented in note 27.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets included in prepayments, other receivables and other assets, interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals 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 credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

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.

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 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk (cont'd)

Maximum exposure and year-end staging (cont'd)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	443,022	443,022
Notes receivable**	10,000	–	–	–	10,000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	31,978	–	–	–	31,978
Restricted cash					
– Not yet past due	2,319	–	–	–	2,319
Pledged deposits					
– Not yet past due	30,000	–	–	–	30,000
Cash and cash equivalents					
– Not yet past due	95,598	–	–	–	95,598
	169,895	–	–	443,022	612,917

* 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

	31 December 2020					
	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	–	2,174	162,919	–	–	165,093
Trade payables	238,351	–	–	–	–	238,351
Lease liabilities	–	676	1,906	4,925	921	8,428
Financial liabilities at fair value through profit or loss	–	–	–	–	475,428	475,428
Financial liabilities included in other payables and accruals	148,616	–	517	–	–	149,133
Due to a joint venture	73,295	1,250	417	–	–	74,962
Due to a related party	–	–	–	–	–	–
Dividend payable	80,000	–	–	–	–	80,000
	540,262	4,100	165,759	4,925	476,349	1,191,395

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 2021 and 31 December 2020.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Capital management (cont'd)

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 amount due to a joint venture, 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:

	2021 **RMB'000**	2020 RMB'000
Interest-bearing bank and other borrowings	**278,341**	159,000
Lease liabilities	**7,191**	7,520
Due to a joint venture	**–**	73,295
Less: Cash and cash equivalents	**(302,796)**	(95,598)
Net (cash)/debt	**(17,264)**	144,217
Equity attributable to owners of the parent	**1,773,332**	223,707
Debt to equity ratio	**N/A**	64%

38. EVENTS AFTER THE REPORTING PERIOD

There was no event causing significant impact on the Group since 31 December 2021.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	74,747	52,680
Total non-current assets	74,747	52,680
CURRENT ASSETS		
Inventories	400	–
Due from subsidiaries	1,264,269	383,607
Cash and cash equivalents	5,763	109
Total current assets	1,270,432	383,716
CURRENT LIABILITIES		
Other payables and accruals	666	–
Total current liabilities	666	–
NET CURRENT ASSETS	1,269,766	383,716
TOTAL ASSETS LESS CURRENT LIABILITIES	1,344,513	436,396
NON-CURRENT LIABILITIES		
Financial liabilities at fair value through profit or loss	–	475,428
Total non-current liabilities	–	475,428
Net assets	1,344,513	(39,032)
EQUITY		
Share capital	112	–
Treasury shares	(17,053)	–
Reserves *(note)*	1,361,454	(39,032)
Total equity	1,344,513	(39,032)

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

Note:

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share award or option reserve RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2020	–	–	–	41,951	–	(14,055)	27,896
Equity-settled share award expenses	–	–	–	10,729	–	–	10,729
Loss for the year	–	–	–	–	–	(77,657)	(77,657)
At 31 December 2020 and 1 January 2021	–	–	–	52,680	–	(91,712)	(39,032)
Equity-settled share award and option arrangements	–	–	–	22,173	–	–	22,173
Issue of shares from initial public offering	95	933,365	–	–	–	–	933,460
Share issue expenses	–	(32,913)	–	–	–	–	(32,913)
Issue of shares for the RSU Scheme	1	–	(1)	–	(1)	–	(1)
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	–	–
Profit for the year	–	–	–	–	–	3,169	3,169
At 31 December 2021	112	1,375,145	(1)	74,853	(17,053)	(88,543)	1,344,513

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 25 March 2022.

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31,				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	542,864	679,109	765,097	952,362	**1,703,064**
Gross profit	152,052	209,863	107,640	259,821	**516,185**
Profit before tax	92,634	40,148	65,972	48,420	**246,159**
Income tax expense	(28,604)	(29,635)	(15,572)	(30,228)	**(76,781)**
Profit for the year	64,030	10,513	50,400	18,192	**169,378**
Attributable to					
Owners of the parent	60,566	12,434	50,032	18,430	**169,249**
Non-controlling interests	3,464	(1,921)	368	(238)	**129**

ASSETS AND LIABILITIES

	As at December 31,				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	872,997	1,079,887	2,052,255	1,859,920	**2,840,567**
Total liabilities	679,499	933,925	1,857,804	1,635,283	**1,067,335**
Total equity	193,498	145,962	194,451	224,637	**1,773,232**
Non-controlling interests	3,464	1,543	–	930	**(100)**
Equity attributable to owners of the parent	190,034	144,419	194,451	223,707	**1,773,332**

DEFINITIONS AND GLOSSARIES

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

"AGM"	annual general meeting of the Company
"Articles of Association"	the amended and restated memorandum and articles of association of the Company adopted on December 18, 2020 with effect from the Listing Date (as amended 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 Honeybear"	Beijing Honeybear Entertainment Cultural Media Co., Ltd (北京蜜熊娛樂文化傳媒有限公司), a limited liability company established in the PRC on September 10, 2020 and an indirectly non-wholly-owned subsidiary of the Company
"Beijing iQIYI"	Beijing iQIYI Technology Co., Ltd. (北京愛奇藝科技有限公司), a limited liability company established in the PRC on March 27, 2007, a wholly-owned subsidiary of iQIYI, Inc. and a connected person of the Company
"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 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 report
"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 report 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" or "the Company"	Strawbear Entertainment Group (稻草熊娛乐集团), 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 summarized 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
"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 Scheme 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
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"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
"Group" or "the Group"	the Company and 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
"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
"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 of the Board, 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
"Ms. Zhao"	Ms. Zhao Liying (趙麗穎), one of the Group's Shareholders and one of the Registered Shareholders of Jiangsu Strawbear
"Nanjing Huawen"	Nanjing Huawen Strawbear Culture Partnership (Limited Partnership) (南京華文稻草熊文化合夥企業(有限合夥)), a limited partnership established in the PRC on November 29, 2019, 18.31% limited partnership interest in which are held by 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
"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 ceased to be one of Consolidated Affiliated Entities of the Company from November 26, 2021
"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 SAPPRFT
"OST"	original sound track, the music that is usually used in TV series, web series, films, motion pictures, or live shows
"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
"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
"Relevant Period"	the period from the Listing Date to the end of the Reporting Period
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the twelve-month period from January 1, 2021 to December 31, 2021
"RSU(s)"	restricted share unit(s) granted under the RSU Scheme, each of which represents one underlying Share, and represent a conditional right granted to any selected participant under the RSU Scheme 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	the restricted share unit scheme adopted by the Company on September 15, 2021, as amended from time to time
"RMB" or "Renminbi"	the lawful currency of the PRC
"Selected Participant(s)"	any Eligible Participant approved by the Board for participation in the RSU Scheme on the relevant grant date

"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
"Shanghai Shaoyin"	Shanghai Shaoyin Music Entertainment Co., Ltd. (上海韶愔音樂娛樂有限公司), a limited liability company established in the PRC on July 26, 2019 held by Mr. Liu and Beijing iQIYI as to 40% and 60%, respectively, and a connected person of the Company
"Shanghai Strawbear"	Shanghai Strawbear Business Consulting Co., Ltd. (上海稻草熊商務諮詢有限公司), a limited liability company established in the PRC on September 3, 2018 and an indirectly wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.000025 each
"Shareholder(s)"	holder(s) of the Shares
"Smart Century"	SMART CENTURY VENTURES LIMITED, a BVI business company incorporated under the laws of the BVI on June 24, 2020 and wholly owned by Family Trust Singapore, the trustee of the Gold Fish Trust
"Strawbear Film"	Strawbear Film Limited, a limited liability company incorporated under the laws of Hong Kong on January 31, 2018 and an indirectly wholly-owned subsidiary of the Company
"Strawbear Pictures"	Strawbear Pictures Limited, a BVI business company incorporated under the laws of BVI on January 9, 2018 and a directly wholly-owned subsidiary of the Company
"Success Tale"	SUCCESS TALE ENTERPRISES LIMITED, a BVI business company incorporated under the laws of the BVI on August 28, 2020 and wholly owned by Employee Trust Hong Kong, the trustee of the Strawbear Employee Trust
"TV"	television
"TV series"	a series of scripted episodes that needs to obtain a distribution license from the National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), which are broadcast on TV channels and/or new media channels such as online video platforms
"US$"	United States dollars, the lawful currency for the time being of the United States
"viewership rating(s)"	an index which indicates the coverage rate of a TV series during a specific period, measured by the number of audience of a particular TV series as a percentage of the total audience

"Voting Arrangement Agreements"	the agreement and supplemental agreement thereof dated November 1, 2018 entered into by, among others, Mr. Liu, Ms. Liu, Ms. Zhai, Ms. Zhao, Ms. Zhang and their respective wholly-owned holding companies (where applicable) regarding certain arrangements for the voting rights in the members of the Group, details of which are set out in "History, Reorganisation and Corporate Development – Voting Arrangement and Lock-up Arrangements" in the Prospectus
"web film"	a film which has a length of more than 60 minutes and can only be broadcast on new media channels such as online video platforms
"web series"	a series of scripted episodes which can only be broadcast on new media channels such as online video platforms
"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
"Wuxi Youkong"	Wuxi Youkong Yinghua Culture Media Co., Ltd. (無錫有空映畫文化傳媒有限公司), a limited liability company established in the PRC on November 1, 2017 and a substantial shareholder of Wuxi Strawbear
"Xingyu Yinyue"	Xiangshan XingyuYinyue Culture Media Co., Ltd. (象山星宇愔樂文化傳媒有限公司), a limited liability company established in the PRC on November 19, 2020 and an indirectly non-wholly-owned subsidiary of the Company

In this annual report, 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.