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## **Strawbear Entertainment Group**

**稻草熊娱乐集团**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2125)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022**

#### **FINANCIAL HIGHLIGHTS**

Revenue for the year ended December 31, 2022 amounted to approximately RMB980.9 million, representing a decrease of 42.4% from approximately RMB1,703.1 million for the year ended December 31, 2021.

Gross profit for the year ended December 31, 2022 amounted to approximately RMB219.8 million, representing a decrease of 57.4% from approximately RMB516.2 million for the year ended December 31, 2021.

Profit for the year ended December 31, 2022 amounted to approximately RMB50.0 million, representing a decrease of 70.5% from approximately RMB169.4 million for the year ended December 31, 2021.

Adjusted net profit\* for the year ended December 31, 2022 amounted to approximately RMB73.6 million, representing a decrease of 62.1% from approximately RMB194.1 million for the year ended December 31, 2021.

Net assets as of December 31, 2022 amounted to approximately RMB1,825.6 million, representing an increase of 3.0% from approximately RMB1,773.2 million as of December 31, 2021.

The Board does not recommend the payment of any dividend for the year ended December 31, 2022.

\* *The Group defined adjusted net profit as net profit 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.*

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2022 together with the comparative figures for the same period in 2021 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*Year ended December 31, 2022*

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>980,923</b>	1,703,064
Cost of sales		<u>(761,170)</u>	<u>(1,186,879)</u>
Gross profit		<b>219,753</b>	516,185
Other income and gains	4	<b>33,889</b>	44,145
Selling and distribution expenses		<b>(48,309)</b>	(227,353)
Administrative expenses		<b>(65,432)</b>	(56,578)
Impairment of financial assets, net	5	<b>(39,166)</b>	(6,460)
Other expenses		<b>(888)</b>	(1,235)
Finance costs		<b>(17,329)</b>	(22,008)
Share of profits and losses of:			
Joint ventures		<b>(4,357)</b>	1,904
Associates		<b>(225)</b>	(831)
Changes in fair value of financial liabilities at fair value through profit or loss		<u>–</u>	<u>(1,610)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>77,936</b>	246,159
Income tax expense	6	<u>(27,929)</u>	<u>(76,781)</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>50,007</b></u>	<u>169,378</u>
Attributable to:			
Owners of the parent		<b>50,933</b>	169,249
Non-controlling interests		<u>(926)</u>	<u>129</u>
		<u><b>50,007</b></u>	<u>169,378</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic (RMB)	8	<u><b>7.5 cents</b></u>	<u>25.1 cents</u>
Diluted (RMB)	8	<u><b>7.3 cents</b></u>	<u>24.2 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2022

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>4,408</b>	2,898
Right-of-use assets		<b>6,160</b>	7,828
Goodwill	9	<b>108,341</b>	108,341
Other intangible assets	10	<b>11</b>	14,514
Investments in joint ventures		<b>1,312</b>	5,532
Investments in associates		<b>7,197</b>	6,037
Deferred tax assets		<b>6,943</b>	5,716
		<hr/>	<hr/>
Total non-current assets		<b>134,372</b>	150,866
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories	11	<b>1,109,433</b>	1,100,009
Trade and notes receivables	12	<b>545,355</b>	802,959
Prepayments, other receivables and other assets		<b>379,259</b>	363,208
Due from a joint venture		–	29,590
Financial assets at fair value through profit or loss		<b>11,402</b>	–
Restricted cash		<b>43,200</b>	–
Pledged deposits		<b>61,493</b>	91,139
Cash and cash equivalents		<b>208,049</b>	302,796
		<hr/>	<hr/>
Total current assets		<b>2,358,191</b>	2,689,701
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	<b>215,307</b>	256,828
Other payables and accruals	14	<b>158,177</b>	454,569
Interest-bearing bank and other borrowings	15	<b>275,973</b>	278,341
Lease liabilities		<b>3,051</b>	3,302
Tax payable		<b>9,264</b>	15,893
Dividend payable		–	48,000
		<hr/>	<hr/>
Total current liabilities		<b>661,772</b>	1,056,933
		<hr/>	<hr/>

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NET CURRENT ASSETS</b>	<b><u>1,696,419</u></b>	<u>1,632,768</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b><u>1,830,791</u></b>	<u>1,783,634</u>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>2,248</b>	3,889
Deferred tax liabilities	<b><u>2,937</u></b>	<u>6,513</u>
Total non-current liabilities	<b><u>5,185</u></b>	<u>10,402</u>
Net assets	<b><u>1,825,606</u></b>	<u>1,773,232</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>113</b>	112
Treasury shares	<b>(42,651)</b>	(17,053)
Reserves	<b><u>1,869,170</u></b>	<u>1,790,273</u>
	<b>1,826,632</b>	1,773,332
Non-controlling interests	<b><u>(1,026)</u></b>	<u>(100)</u>
Total equity	<b><u>1,825,606</u></b>	<u>1,773,232</u>

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

### 1. CORPORATE AND GROUP INFORMATION

Strawbear Entertainment Group (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 3 January 2018. The registered address of the Company is 4<sup>th</sup> Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company’s subsidiaries were principally involved in the production, distribution and licensing of broadcasting rights of TV/Web series (“**drama series**”).

The Company does not have an immediate holding company or ultimate holding company. Mr. Liu Xiaofeng, Master Sagittarius Holding Limited and Leading Glory Investments Limited, are the controlling shareholders of the Company, as defined in the Listing Rules.

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

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

### 3. OPERATING SEGMENT INFORMATION

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

#### Geographical information

##### (a) Revenue from external customers

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	980,898	1,702,176
Others	25	888
	<u>980,923</u>	<u>1,703,064</u>

The revenue information above is based on the locations of the customers.

##### (b) Non-current assets

The Group's non-current assets are all located in Mainland China.

#### Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the years ended 31 December 2022 and 2021 is set out below:

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

\* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the year.

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

#### Revenue from contracts with customers

##### (i) *Disaggregated revenue information*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Types of goods or services</b>		
Licensing of the broadcasting rights of drama series	481,025	1,107,249
Made-to-order drama series production	495,877	540,188
Others	1,960	55,627
	<u>978,862</u>	<u>1,703,064</u>
Total revenue from contracts with customers	<u>978,862</u>	<u>1,703,064</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Geographical markets</b>		
Mainland China	978,837	1,702,176
Others	25	888
	<u>978,862</u>	<u>1,703,064</u>
Total revenue from contracts with customers	<u>978,862</u>	<u>1,703,064</u>

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

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.

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

All revenue arising from made-to-order drama series production for the reporting period was recognised from performance obligations partially satisfied in previous periods due to constraints on variable consideration.

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

*Licensing of the broadcasting rights of drama series*

The performance obligation is satisfied as the broadcasting rights are authorised and the customer can begin exhibiting or selling the drama series and payment is generally due within three months to six months.

*Made-to-order drama series production*

The performance obligation is satisfied as the drama series are complete in accordance with the terms of the contract and the customer can begin exhibiting or selling the drama series.

*Others*

The revenue received from the licensing of drama series' side products including games, advertisements, sale of script copyrights, acting as a distribution agent and others, and payment is generally due within three months to six months.

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

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

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.



An analysis of other income and gains is as follows:

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

*Note:*

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

## 5. PROFIT BEFORE TAX

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

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

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

\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

\*\*\* The write-down of inventories to net realisable value for the year is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

## 6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiary are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the year.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law. Wuxi Strawbear Cultural Media Co., Ltd., Hainan Jiujun Audio-Visual Communication Co., Ltd., Hainan Xuxuxing Culture Media Technology Co., Ltd., Hainan Yiming Culture Media Technology Co., Ltd. and Hangzhou Xiaobaiyang Film and Television Co., Ltd. are recognised as Small and Low-profit Enterprises, and the first RMB1,000,000 of assessable profits of these subsidiaries are entitled to a preferential tax rate of 2.5% and the remaining assessable profits less than RMB2,000,000 are entitled to a preferential tax rate of 5% during the year.

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

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

- (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:

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

## 7. DIVIDENDS

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares for the year ended 31 December 2022 is adjusted to reflect the shares repurchased for the trustee under the restricted share unit scheme adopted by the Company in 2021 (“**2021 RSU Scheme**”) and restricted share unit scheme adopted by the Company in 2022 (“**2022 RSU Scheme**”) during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect changes in fair value of financial liabilities at fair value through profit or loss and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares arising from the restricted share units and the share options.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>50,933</u>	<u>169,249</u>
Less:		
Changes in fair value of financial liabilities at fair value through profit or loss	<u>–</u>	<u>(1,610)</u>
Profit attributable to ordinary equity holders of the parent, before changes in fair value of financial liabilities at fair value through profit or loss	<u>50,933</u>	<u>170,859</u>
	<b>Number of shares</b>	
	<b>2022</b>	<b>2021</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>675,075,687</b>	673,808,984
Effect of dilution – weighted average number of ordinary shares:		
Preferred shares	–	3,732,822
Restricted share units	<b>5,057,218</b>	583,514
Share options	<b>21,482,542</b>	28,815,336
	<u><b>701,615,447</b></u>	<u>706,940,656</u>

## 9. GOODWILL

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost and net carrying amount at beginning of year	<b>108,341</b>	112,983
Disposal of a subsidiary	<u>–</u>	<u>(4,642)</u>
Cost and net carrying amount at end of year	<b><u>108,341</u></b>	<b><u>108,341</u></b>

### Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the Hangzhou Yide cash-generating unit for impairment testing.

The recoverable amount of the Hangzhou Yide cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The pre-tax discount rate applied to the cash flow projections and the growth rate and gross profit margin used to extrapolate the cash flows of the Hangzhou Yide cash-generating unit beyond the five-year period are as follows:

	<b>2022</b> %	2021 %
Gross profit margin	<b>14</b>	14
Terminal growth rate	<b>3</b>	3
Pre-tax discount rate	<b><u>19.3</u></b>	<b><u>20.2</u></b>

Assumptions were used in the value in use calculation of the Hangzhou Yide cash-generating unit for 31 December 2022 and 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

## 10. OTHER INTANGIBLE ASSETS

	<b>Software</b> <i>RMB'000</i>	<b>Trademarks</b> <i>RMB'000</i>	<b>Backlog</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>	
<b>31 December 2022</b>					
At 1 January 2022:					
Cost	3	30	42,900	42,933	
Accumulated amortisation	(3)	(16)	(28,400)	(28,419)	
Net carrying amount	<u>–</u>	<u>14</u>	<u>14,500</u>	<u>14,514</u>	
Cost at 1 January 2022, net of accumulated amortisation	–	14	14,500	14,514	
Amortisation provided during the year	–	(3)	(14,500)	(14,503)	
At 31 December 2022	<u>–</u>	<u>11</u>	<u>–</u>	<u>11</u>	
At 31 December 2022:					
Cost	3	30	42,900	42,933	
Accumulated amortisation	(3)	(19)	(42,900)	(42,922)	
Net carrying amount	<u>–</u>	<u>11</u>	<u>–</u>	<u>11</u>	
	<b>Software</b> <i>RMB'000</i>	<b>Trademarks</b> <i>RMB'000</i>	<b>Backlog</b> <i>RMB'000</i>	<b>Patents</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>31 December 2021</b>					
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	<u>272</u>	<u>17</u>	<u>14,500</u>	<u>11,403</u>	<u>26,192</u>
Cost at 1 January 2021, net of accumulated amortisation	272	17	14,500	11,403	26,192
Disposal of a subsidiary	(110)	–	–	(9,994)	(10,104)
Amortisation provided during the year	(162)	(3)	–	(1,409)	(1,574)
At 31 December 2021	<u>–</u>	<u>14</u>	<u>14,500</u>	<u>–</u>	<u>14,514</u>
At 31 December 2021:					
Cost	3	30	42,900	–	42,933
Accumulated amortisation	(3)	(16)	(28,400)	–	(28,419)
Net carrying amount	<u>–</u>	<u>14</u>	<u>14,500</u>	<u>–</u>	<u>14,514</u>

## 11. INVENTORIES

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

## 12. TRADE AND NOTES RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit. The credit period is generally 15 to 365 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction dates and net of loss allowance, is as follows:

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing and past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 31 December 2022**

	Trade receivables ageing					Total
	Current	Less than 1 year and past due	1 to 2 years and past due	2 to 3 years and past due	More than 3 years and past due	
Expected credit loss rate	0.03%	1.88%	8.38%	50.87%	100.00%	4.10%
Gross carrying amount RMB'000	111,078	216,527	114,129	7,000	1,222	449,956
Expected credit losses RMB'000	30	4,066	9,560	3,561	1,222	18,439

**As at 31 December 2021**

	Trade receivables ageing					Total
	Current	Less than 1 year and past due	1 to 2 years and past due	2 to 3 years and past due	More than 3 years and past due	
Expected credit loss rate	0.03%	2.17%	11.37%	35.59%	100.00%	2.43%
Gross carrying amount RMB'000	191,630	466,492	52,830	222	1,000	712,174
Expected credit losses RMB'000	59	10,138	6,009	79	1,000	17,285

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

	2022 RMB'000	2021 RMB'000
At beginning of year	17,285	12,291
Impairment losses recognised, net (note 5)	1,154	6,460
Disposal of a subsidiary	–	(405)
Amount written off as uncollectible	–	(1,061)
At end of year	<b>18,439</b>	<b>17,285</b>

The increase (2021: increase) in the loss allowance of RMB1,154,000 was mainly due to an increase of trade receivables which were past due for over 2 years (2021: increase in the loss allowance of RMB6,460,000 as a result of an increase in trade receivables which were past due for less than 1 year).

Included in the Group's trade and notes receivables were amounts due from the Group's related parties of RMB370,029,000 (2021: RMB240,816,000), which were repayable on credit terms similar to those offered to the major customers of the Group.

The Group's notes receivable were all aged within one year and were neither past due nor impaired.



The Group's trade receivables with an aggregate net carrying value of approximately RMB211,384,000 (2021: RMB649,438,000) were pledged to secure the bank loans granted to the Group (note 15).

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

At 31 December 2022, the Group endorsed certain notes receivable accepted by banks in Mainland China (the “**Endorsed Notes**”) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “**Endorsement**”) with a carrying amount in aggregate of RMB78,200,000 (2021: RMB41,370,000). In addition, at 31 December 2022, the Group discounted certain notes receivable accepted by certain banks in Mainland China (the “**Discounted Notes**”) with a carrying amount in aggregate of RMB49,500,000 (2021: RMB79,200,000). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”).

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks with an amount of RMB44,000,000 (2021: RMB40,500,000) as at 31 December 2022 (the “**Derecognised Notes**”). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables settled by the Endorsed Notes.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

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

### 13. TRADE PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	<u>215,307</u>	<u>256,828</u>

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

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

Included in the trade payables were trade payables of RMB34,972,000 (2021: RMB61,944,000) due to the Group's related parties which were repayable within 120 days, which represented credit terms similar to those offered by the related parties to their major customers.

The trade payables are non-interest-bearing and are normally settled on 90-day to 365-day terms.

#### 14. OTHER PAYABLES AND ACCRUALS

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

*Notes:*

(a) Details of contract liabilities are as follows:

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

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

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

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

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2022 RMB'000
<b>Current</b>			
Bank loan – secured ( <i>note (a)</i> )	5.20	2023	150,768
Bank loan – secured ( <i>note (b)</i> )	5.22	2023	12,622
Bank loan – secured ( <i>note (c)</i> )	4.60	2023	40,056
Discounted notes receivable – secured ( <i>note (f)</i> )	5.00	2023	49,500
Bank loan – unsecured	4.40	2023	10,013
Bank loan – unsecured	4.85	2023	10,014
Other borrowing – unsecured	5.00	2023	3,000
			<u>275,973</u>
			<u>275,973</u>
	Effective interest rate (%)	Maturity	2021 RMB'000
<b>Current</b>			
Bank loan – secured ( <i>note (d)</i> )	5.22	2022	130,213
Bank loan – secured ( <i>note (e)</i> )	5.22	2022	30,048
Discounted notes receivable – secured ( <i>note (f)</i> )	5.00	2022	79,200
Bank loan – unsecured	4.85	2022	10,015
Other borrowing – unsecured	8.00	2022	28,865
			<u>278,341</u>
			<u>278,341</u>
		<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
Analysed into:			
Bank loans repayable:			
Within one year		<u>272,973</u>	<u>249,476</u>
Other borrowing repayable:			
Within one year		<u>3,000</u>	<u>28,865</u>
		<u>275,973</u>	<u>278,341</u>
		<u>275,973</u>	<u>278,341</u>

*Notes:*

- (a) The Group's bank loans are secured by the pledge of certain of the Group's trade receivables amounting to RMB138,584,000 and short term deposits amounting to RMB31,333,000 and are guaranteed by the Company.
- (b) The Group's bank loan is secured by the pledge of certain of the Group's trade receivables amounting to RMB36,000,000 and is guaranteed by subsidiaries.
- (c) The Group's bank loan is secured by the pledge of certain of the Group's trade receivables amounting to RMB36,800,000 and restricted cash amounting to RMB43,200,000.
- (d) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB544,438,000 and short term deposits amounting to RMB30,529,000 and was guaranteed by the Company.
- (e) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB105,000,000 and was guaranteed by subsidiaries.
- (f) The Group's discounted notes receivable are secured by the pledge of short term deposits amounting to RMB30,160,000 (2021: RMB60,610,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

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

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

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

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

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

As of December 31, 2022, the Group has produced and/or distributed but yet to broadcast seven TV series and two web series. The table below sets forth certain details of such drama series:

Name of the Drama Series	Genre	Director(s) and Major Cast Members	Role	Production Type	Status as of December 31, 2022	Expected Broadcasting Time
<b>TV Series</b>						
<i>Never Give Up</i> (今日宜加油)	Metropolitan	Wu Qiang (吳強), Yu Zhongzhong (于中中), Zheng Kai (鄭愷), Chen Yuqi (陳鈺琪), Wang Hedi (王鶴棣)	Production and distribution	Adaptation	Post-production	February 21, 2023
<i>Hello Beautiful Life</i> (心想事成)	Metropolitan	Liu Yizhi (劉一志), Mao Xiaotong (毛曉彤), Zhang Li (張儷), Li Zefeng (李澤鋒)	Production and distribution	Original	Post-production	March 9, 2023
<i>Cat &amp; Thief</i> (鬥賊)	Crime	Gong Zhaohui (龔朝暉), Huang Jingyu (黃景瑜), Xiu Rui (修睿)	Production and distribution	Adaptation	Post-production	2023
<i>Legend of Bikini</i> (乘風踏浪)	Metropolitan	Zhang Silin (張思麟), Qiao Shan (喬杉), Yang Zishan (楊子姍)	Production and distribution	Original	Post-production	2023
<i>Never Too Late</i> (我的助理六十歲)	Metropolitan	Ding Pei (丁培), Wang Ziwen (王子文), Deng Jie (鄧婕), Bai Jingting (白敬亭)	Production and distribution	Original	Post-production	2023
<i>The Lost</i> (孤戰)	Modern Revolution	Xie Ze (謝澤), Huang Jingyu (黃景瑜), Xin Zhilei (辛芷蕾)	Production and distribution	Original	Post-production	2023
<i>You are Desire</i> (白日夢我)	Metropolitan	Deng Ke (鄧珂), Zhuang Dafei (莊達菲), Zhou Yiran (周翊然)	Production and distribution	Adaptation	Post-production	2023
<b>Web Series</b>						
<i>The Forbidden Flower</i> (夏花)	Metropolitan	Chen Zhoufei (陳宙飛), Jerry Yan (言承旭), Xu Ruohan (徐若晗)	Production	Adaptation	Post-production	February 13, 2023
<i>The Girl Who Sees Smells</i> (你好，我的對面男友) <sup>1</sup>	Metropolitan	Ma Ming (馬鳴), Jia Yi (嘉羿), Jin Zixuan (金子璇)	Production and distribution	Original	Post-production	March 20, 2023

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

As of December 31, 2022, the Group had several TV series/web series that had applied for public record and registered with the local counterparts of the National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局) (“NRTA”). The table below sets forth certain details of some of the Group’s pipeline drama series projects:

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

### Business Analysis by Business Line

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

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

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

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

in China and overseas, continuing to enhance the brand effect of the Group's single product output. The Group will also continue to explore the virtuous cycle of production capacity and quality, continuously improve the quality and reputation of its content output, and achieve sustainable and stable development of the Group.

As of December 31, 2022, the Group has a large number of high-quality and diverse drama series to be broadcast or pipeline drama series planned to be broadcast in the near future. For example, *Cat & Thief* (鬥賊), a crime comedy about the battle of wits between a detective and the “king of thieves”; *Legend Of Bikini* (乘風踏浪), a metropolitan drama series about people who make swimsuit in Xingcheng riding on the wind of reform to successfully start a business; *Hello Beautiful Life* (心想事成), a metropolitan drama series about sisters with very different personalities being loyal to their hearts to fight for themselves and pursue a better life against dull routine; *The Lost* (孤戰), a modern spy war drama series about the underground party members of the Chinese Communist Party who were lurking in the *Bureau of Investigation and Statistics* (BIS) in the late period of the Second Sino-Japanese War, fighting to the death with the enemy and smashing various conspiracies after memory lost; and *Never Give Up* (今日宜加油), a group portrait office comedy about daily life of ordinary strivers. Among them, *Hello Beautiful Life* (心想事成), as a key project supported by the Beijing Municipal Radio and Television Bureau, was selected into the 2023 “Big Drama Watching CMG” (大劇看總台) TV series list released by China Media Group.

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

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

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



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

As of December 31, 2022, the Group has a number of high-quality made-to-order drama series to be broadcast and under preparation in the near future. For example, *The Forbidden Flower* (夏花), a metropolitan romance drama series about the love story between a young girl and a middle-aged man; and *Early Spring* (沒有我的城), a modern revolution drama series about a young communist using twin brother to stop the enemy’s actions and secretly assisting the victory of the revolution.

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

(iii) *Others*

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

## **OUTLOOK**

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

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

## **IMPACT OF COVID-19**

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

The Company maintained a healthy financial position in 2022 and the recurrence of COVID-19 did not have material adverse impact on the liquidity position of the Group. As of December 31, 2022, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounted to RMB1,696.4 million and RMB208.0 million, respectively. The Group believes that its liquidity requirements will continue to be satisfied by using a combination of cash generated from operating activities, interest-bearing bank and other borrowings and the net proceeds received from the global offering of the Company.

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

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

The Group will adhere to 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.

## **Revenue by Business Line**

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

### *Licensing of the broadcasting rights of drama series*

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

### *Made-to-order drama series production*

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

### *Others*

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

## **Gross Profit and Gross Profit Margin**

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

## **Other Income and Gains**

Other income and gains decreased by 23.2% or approximately RMB10.2 million from RMB44.1 million for the year ended December 31, 2021 to RMB33.9 million for the year ended December 31, 2022. This was primarily attributable to the decrease in net foreign exchange differences of RMB6.0 million and the decrease in government grants of RMB5.5 million.

## **Selling and Distribution Expenses**

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

## **Administrative Expenses**

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

## **Impairment of Financial Assets, net**

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

For further details of the impairment of financial assets, net, please refer to the Notes 5 and 12 to the financial statements.

## **Income Tax Expense**

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

## **Non-HKFRS Measure**

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

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

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

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

### **Trade and Notes Receivables**

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

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

The Group's notes receivables increased from RMB108.1 million as of December 31, 2021 to RMB113.8 million as of December 31, 2022, primarily due to (i) the increase in notes receivables from a top satellite TV channel for the licensing fees of *To Fly with You* (陪你逐風飛翔) broadcast in 2021; (ii) the increase in notes receivables received as prepaid production fee for *You are Desire* (白日夢我); and partially offset by (iii) the decrease in notes receivables discounted by certain banks in Mainland China.

### **Prepayment, Other Receivables and Other Assets**

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

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

### **Goodwill**

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

### **Other Intangible Assets**

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

### **Trade Payables**

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

### **Other Payables and Accruals**

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

## CAPITAL STRUCTURE, LIQUIDITY AND CAPITAL RESOURCES

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

As at December 31, 2021, the Company had 694,747,000 ordinary shares of US\$0.000025 each.

On May 12, 2022, 1,882,400 new Shares, representing approximately 0.3% of the total number of Shares in issue of the Company as of the date of this announcement, were allotted and issued upon the exercise of share options by a director of the Company under the Pre-IPO Share Option Scheme. For details, please refer to the announcement of the Company dated May 12, 2022. There has been no movement in the issued Shares of the Company since then.

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

Historically, the Group financed its capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, net proceeds received from the global offering and capital contributions from Shareholders. As of December 31, 2022, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounted to RMB1,696.4 million and RMB208.0 million, respectively, as compared to RMB1,632.8 million and RMB302.8 million, respectively, as of December 31, 2021.

As of December 31, 2022, all of the cash and cash equivalents of the Group were denominated in RMB, HK\$ and US\$.

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

As of December 31, 2022, the Group's total interest-bearing bank and other borrowings were approximately RMB276.0 million, all of which were at fixed interest rate and denominated in RMB.

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

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

## Capital Expenditure

The Group's capital expenditures primarily included purchase of property, plant and equipment. The Group's capital expenditures increased to RMB3.0 million in 2022 from RMB1.8 million in 2021. The Group plans to fund its planned capital expenditures using cash generated from operations as well as the net proceeds from the global offering.

## Financial Ratios

### *Return on Equity*

The Group's return on equity decreased from 17.0% for the year ended December 31, 2021 to 2.8% for the year ended December 31, 2022, primarily due to the decrease in profit for the year and the increase in the arithmetic mean of the opening and closing balances of its total equity from 2021 to 2022.

### *Return on Assets*

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

### *Current Ratio*

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

### *Debt to Equity Ratio<sup>1</sup>*

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

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2022. As of December 31, 2022, the Group did not hold any significant investments.

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



## **PLEDGE OF ASSETS**

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

## **FINANCIAL RISKS**

### **Credit Risk**

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

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

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

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

### **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.

## **FINAL DIVIDENDS**

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

## EMPLOYEES AND REMUNERATION POLICIES

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

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

For the year ended December 31, 2022, total staff remuneration expenses (including Directors' remuneration) amounted to RMB41.1 million. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions made by the Group, performance-based compensation, discretionary bonus, RSUs granted to selected employees and supplemental medical insurances.

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

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

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

## USE OF PROCEEDS FROM GLOBAL OFFERING

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

On September 15, 2021, the Board has resolved to re-allocate part of the unutilised Net Proceeds of approximately HK\$635.7 million (approximately 59.4% of the Net Proceeds), of which (i) HK\$528.6 million originally intended to be used for funding the production of *Hello Baby* (你好寶貝), *My Mr. Cat* (我的貓先生), *Steal His Heart* (偷走他的心), *The Wind Catcher* (捕風者) and *Two Capitals* (兩京十五日) (the “**Original Drama Series**”) was re-allocated to funding the production of *Cat & Thief* (鬥賊), *Legend Of Bikini* (乘風踏浪), *Never Too Late* (我的助理六十歲) and *Thousand Years For You* (請君) (the “**New Drama Series**”); and (ii) HK\$107.1 million originally intended to be used for acquiring one premium copyright company which focuses on investment, development, production and distribution of web series was re-allocated to acquiring more premium IPs. Considering that (i) the Original Drama Series whose production was originally intended to be funded with Net Proceeds were in the early development or preparation stage, and necessary conditions required for production have not been met; and (ii) the Group has obtained a number of premium and mature projects with necessary conditions required for production having been met in the first half of 2021, the Net Proceeds originally intended to be used for the production of the Original Drama Series were re-allocated to the production of the New Drama Series then under production, so as to enhance the efficiency and effectiveness of the use of the Net Proceeds. In addition, as (i) no suitable acquisition target of premium copyright company has been found due to the combined effect of changes in the market structure and significant differences in the understanding of the value of the potential acquisition target, (ii) instead of acquisition of one highly valued copyright company, the Board believes that acquisition of premium IPs directly from a variety of sources to maintain an adequate level of IP reserves would be much more efficient and could facilitate efficiency in the use of the Group’s funds due to the rapid and unforeseen changes in the market and industry environment since the Listing, and (iii)

the current sources of premium IPs are more diversified and that the continuous acquisition of more IPs is the basis for the stable growth of the Group, the Group re-allocated part of the Net Proceeds originally planned to be used for acquiring one premium copyright company which focuses on investment, development, production and distribution of web series to acquiring more premium IPs suitable for the development and production by the Group to guarantee the stable growth of drama series production and distribution, which will also satisfy the demand for premium IPs of the Group in a more flexible way. For details, please refer to the announcement of the Company dated September 15, 2021 (the “**Announcement**”).

The following table sets out (i) the original allocation of Net Proceeds as set out in the Prospectus; (ii) the revised allocation of the unutilised Net Proceeds as set out in the Announcement; (iii) the utilised amount of Net Proceeds during the year ended December 31, 2022; (iv) the utilised and unutilised amount of Net Proceeds as of December 31, 2022; and (v) the latest expected timeline for utilisation:

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

**Net proceeds from the global offering and utilisation**

	Original allocation of Net Proceeds <i>HK\$ in million</i>	Revised allocation of Net Proceeds <i>HK\$ in million</i>	Utilised amount of Net Proceeds during the year ended December 31, 2022 <i>HK\$ in million</i>	Utilised amount of Net Proceeds as of December 31, 2022 <i>HK\$ in million</i>	Unutilised amount of Net Proceeds as of December 31, 2022 <i>HK\$ in million</i>	Expected timeline for utilisation <sup>(1)</sup>
Funding potential investment in, or merger and acquisition of, companies that may enhance the Group's market position and ramp up the Group's drama series development, production and distribution	107.1	107.1	–	–	107.1	By the end of 2023
Securing more IPs to guarantee the stable growth of the Group's drama series production and distribution by acquiring one premium copyright company which focuses on investment, development, production and distribution of web series	107.1	–	–	–	–	–
Acquiring more premium IPs to guarantee the stable growth of the Group's drama series production and distribution	–	107.1	50.7	64.8	42.3	By the end of 2023
Working capital and general corporate purposes	107.1	107.1	–	107.1	–	–
<b>Total</b>	<b><u>1,071.1</u></b>	<b><u>1,071.1</u></b>	<b><u>61.9</u></b>	<b><u>921.7</u></b>	<b><u>149.4</u></b>	

*Notes:*

- (1) The expected timeline for the usage of the remaining Net Proceeds is made based on the best estimate of the Group's future market conditions, which is subject to the current and future development of the market conditions.
- (2) The translation name of the drama series *Our Destiny In Self-Redemption* (浮圖緣) had been changed to *Unchained Love* (浮圖緣).
- (3) The translation name of the drama series *Flying To The Moon* (月歌行) had been changed to *Song of the Moon* (月歌行).
- (4) The translation name of the drama series *Handsome Yong Master* (公子傾城) had been changed to *Your Sensibility My Destiny* (公子傾城).

As of December 31, 2022, the Group has utilised Net Proceeds of RMB921.7 million in accordance with the intended purposes set out in the Prospectus and the Announcement. The remaining Net Proceeds were deposited in banks as of the date of this announcement. The Group will gradually utilise the remaining Net Proceeds in accordance with the intended purposes set out in the Prospectus and the Announcement.

## **FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS**

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

## **CORPORATE GOVERNANCE PRACTICES**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions as set out in Part 2 of Appendix 14 to the Listing Rules as its own code of corporate governance.

The Board considered that the Company has complied with all applicable code provisions set out in the CG Code throughout the Reporting Period except for code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 in the CG Code as set out in Part 2 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Liu is currently serving as the Chairman as well as the chief executive officer of the Company. As Mr. Liu is the founder of the Group and has been managing the Group’s business and overall strategic planning since its establishment, the Directors consider that vesting the roles of chairman and chief executive officer in Mr. Liu is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group. Taking into account all the corporate governance measures that the Group implemented, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company had not segregated the roles of its Chairman and chief executive officer. The Board will continue to review and consider splitting the roles of Chairman and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

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

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

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

## **MATERIAL LITIGATION**

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

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Reporting Period.

## **AUDIT COMMITTEE**

The Company has established the Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. As of the date of this announcement, the Audit Committee consists of two independent non-executive Directors and one non-executive Director, being Mr. Zhang Senquan (chairman of the Audit Committee who holds appropriate accounting qualifications), Mr. Chung Chong Sun and Ms. Liu Fan. 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.

The Audit Committee has, together with the management of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements of the Group for the year ended December 31, 2022, and has recommended for the Board's approval thereof. The financial information set out in this announcement has been reviewed by the Audit Committee and approved by the Board.

### **SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR**

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2022, but represents an extract from the consolidated financial statements for the year ended 31 December 2022 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

### **EVENTS AFTER THE REPORTING PERIOD**

There was no significant event that might affect the Group occurred after the Reporting Period.

### **ANNUAL GENERAL MEETING**

The AGM of the Company will be held on Friday, June 9, 2023. A notice convening the AGM will be published on the Company's website and "HKEXnews" of the Stock Exchange and despatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, June 6, 2023 to Friday, June 9, 2023, both days inclusive. During such period, no transfer of Shares of the Company will be registered. The record date for determining the eligibility to attend the forthcoming AGM to be held on Friday, June 9, 2023 will be Friday, June 9, 2023. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, June 5, 2023.

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

This annual results announcement is published on "HKEXnews" of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.strawbearentertainment.com](http://www.strawbearentertainment.com)), and the 2022 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of "HKEXnews" of the Stock Exchange and the Company on or before April 30, 2023.



## APPRECIATION

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

## DEFINITIONS AND GLOSSARIES

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

“AGM”	the annual general meeting of the Company to be held on Friday, June 9, 2023
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“broadcasting right(s)”	refers to (i) the right of broadcasting (廣播權), in terms of drama series broadcast via TV channels; and (ii) the right to network dissemination of information (信息網絡傳播權), in terms of drama series and films broadcast via online video platforms, for the purpose of this announcement
“CG Code”	the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules
“Chairman”	the Chairman of the Board
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to “China” and the “PRC” do not apply to Taiwan Province, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China
“Company”	Strawbear Entertainment Group (稻草熊娛樂集團), an exempted company with limited liability incorporated under the laws of Cayman Islands on January 3, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Consolidated Affiliated Entities”	the entities the Company controls through the Contractual Arrangements, namely Jiangsu Strawbear and its subsidiaries, further details of which are set out in “Contractual Arrangements” in the Prospectus

“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Nanjing Strawbear, Jiangsu Strawbear and its registered shareholders, details of which are described in “Contractual Arrangements” in the Prospectus
“COVID-19”	novel coronavirus pneumonia
“D2C”	direct-to-consumer, a business model that manufacturers selling directly to their end-customers
“Director(s)”	director(s) of the Company
“drama series”	refers to the content produced for broadcast via TV channels or the internet, which is usually released in episodes that follow a narrative, consisting of TV series and web series
“first-run broadcast” or “first-run”	the first round broadcast of a drama series on the TV channel or online video platform
“Group”	the Company, its subsidiaries and Consolidated Affiliated Entities at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Hangzhou Yide”	Hangzhou Yide Cultural Creativity Co., Ltd. (杭州懿德文化創意有限公司), a limited liability company established in the PRC on June 25, 2015 and an indirectly wholly-owned subsidiary of our Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Horgos Strawbear”	Horgos Strawbear Film Co., Ltd. (霍爾果斯稻草熊影業有限公司), a limited liability company established in the PRC on August 4, 2016 and indirectly controlled by the Company through the Contractual Arrangements

“IP(s)”	refers to intellectual properties such as existing films, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new drama series or films
“iQIYI”	iQIYI, Inc. (Stock Code: IQ, NASDAQ) and its subsidiaries and consolidated affiliated entities, one of the largest Chinese online video platforms listed in the U.S. with approximately 476.0 million average MAUs in 2019
“Jiangsu Strawbear”	Jiangsu Strawbear Film Co., Ltd. (江蘇稻草熊影業有限公司), a limited liability company established in the PRC on June 13, 2014 and indirectly controlled by the Company through the Contractual Arrangements
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on January 15, 2021
“Listing Date”	the date, namely January 15, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities 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
“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
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme approved and adopted by the Company on May 11, 2020, the principal terms of which are summarised in “Appendix IV – Statutory and General Information – D. Other Information – (1) Pre-IPO Share Option Scheme” in the Prospectus

“Prospectus”	the prospectus of the Company published on December 31, 2020
“re-run broadcast” or “re-run”	the rebroadcast of a drama series that has previously been broadcast on the TV channel or online video platform, including second-run broadcast and all subsequent broadcasts on any channel
“Reporting Period”	the twelve-month period from January 1, 2022 to December 31, 2022
“RMB” or “Renminbi”	the lawful currency of the PRC
“RSU(s)”	restricted share unit(s) granted under the RSU Schemes, each of which represents one underlying Share, and represent a conditional right granted to any selected participant under the RSU Schemes to obtain the corresponding economic value of the underlying Shares, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion
“RSU Scheme(s)”	(i) the restricted share unit scheme approved and adopted on September 15, 2021 by the Company, as amended from time to time, and/or (ii) the 2022 restricted share unit scheme approved and adopted on April 28, 2022 by the Company, as amended from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.000025 each
“Shareholder(s)”	holder(s) of the Shares
“TV”	Television
“TV series”	a series of scripted episodes that needs to obtain a distribution licence 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
“web series”	a series of scripted episodes which can only be broadcast on new media channels such as online video platforms

In this announcement, unless otherwise indicated, the terms “affiliate”, “associate”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules.

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

Nanjing, PRC, March 24, 2023

*As of the date of this announcement, the Board comprises Mr. Liu Xiaofeng, Ms. Zhang Qiuchen, Mr. Chen Chen and Ms. Zhai Fang as executive Directors; Mr. Wang Xiaohui and Ms. Liu Fan as non-executive Directors; and Mr. Zhang Senquan, Mr. Ma Zhongjun and Mr. Chung Chong Sun as independent non-executive Directors.*