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, 2023

FINANCIAL HIGHLIGHTS

Revenue for the year ended December 31, 2023 amounted to approximately RMB840.7 million, representing a decrease of 14.3% from approximately RMB980.9 million for the year ended December 31, 2022.

Gross profit for the year ended December 31, 2023 amounted to approximately RMB63.3 million, representing a decrease of 71.2% from approximately RMB219.8 million for the year ended December 31, 2022.

Loss for the year ended December 31, 2023 amounted to approximately RMB107.5 million, as compared to a profit of approximately RMB50.0 million for the year ended December 31, 2022.

Adjusted net loss (Non-HKFRS measure)* for the year ended December 31, 2023 amounted to approximately RMB88.1 million, as compared to an adjusted net profit of approximately RMB73.6 million for the year ended December 31, 2022.

Net assets as of December 31, 2023 amounted to approximately RMB1,739.3 million, representing a decrease of 4.7% from approximately RMB1,825.6 million as of December 31, 2022.

The Board does not recommend the payment of any dividend for the year ended December 31, 2023.

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

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2023 together with the comparative figures for the same period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
REVENUE	*4*	**840,663**	980,923
Cost of sales		**(777,406)**	(761,170)
Gross profit		**63,257**	219,753
Other income and gains	*4*	**15,569**	33,889
Selling and distribution expenses		**(56,698)**	(48,309)
Administrative expenses		**(102,239)**	(65,432)
Impairment of financial assets, net	*5*	**(23,510)**	(39,166)
Other expenses		**(778)**	(888)
Finance costs		**(14,248)**	(17,329)
Share of profits and losses of:			
Joint ventures		**(452)**	(4,357)
Associates		**1,613**	(225)
(LOSS)/PROFIT BEFORE TAX	*5*	**(117,486)**	77,936
Income tax credit/(expense)	*6*	**9,977**	(27,929)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(107,509)**	50,007
Attributable to:			
Owners of the parent		**(109,307)**	50,933
Non-controlling interests		**1,798**	(926)
		(107,509)	50,007
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*8*	**(16.1) cents**	7.5 cents
Diluted (RMB)	*8*	**(16.1) cents**	7.3 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,931**	4,408
Right-of-use assets		**7,830**	6,160
Goodwill	*9*	**108,341**	108,341
Other intangible assets		**8**	11
Investments in joint ventures		**1,314**	1,312
Investments in associates		**21,432**	7,197
Deferred tax assets		**20,474**	6,943
Total non-current assets		**164,330**	134,372
CURRENT ASSETS			
Inventories	*10*	**1,308,481**	1,109,433
Trade and notes receivables	*11*	**554,173**	545,355
Prepayments, other receivables and other assets		**328,325**	379,259
Financial assets at fair value through profit or loss		**11,147**	11,402
Restricted cash		**5**	43,200
Pledged deposits		**62,778**	61,493
Cash and cash equivalents		**154,389**	208,049
Total current assets		**2,419,298**	2,358,191
CURRENT LIABILITIES			
Trade payables	*12*	**300,794**	215,307
Other payables and accruals	*13*	**224,421**	158,177
Interest-bearing bank and other borrowings	*14*	**278,663**	275,973
Lease liabilities		**3,614**	3,051
Tax payable		**2,770**	9,264
Total current liabilities		**810,262**	661,772

	Note	2023 RMB'000	2022 RMB'000
NET CURRENT ASSETS		**1,609,036**	1,696,419
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,773,366**	1,830,791
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*14*	**28,000**	–
Lease liabilities		**3,321**	2,248
Deferred tax liabilities		**2,727**	2,937
Total non-current liabilities		**34,048**	5,185
Net assets		**1,739,318**	1,825,606
EQUITY			
Equity attributable to owners of the parent			
Share capital		**114**	113
Treasury shares		**(37,375)**	(42,651)
Reserves		**1,775,767**	1,869,170
		1,738,506	1,826,632
Non-controlling interests		**812**	(1,026)
Total equity		**1,739,318**	1,825,606

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

1. CORPORATE AND GROUP INFORMATION

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

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

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

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

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**840,663**	980,898
Others	**–**	25
Total revenue	**840,663**	980,923

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

(b) Non-current assets

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

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the years ended 31 December 2023 and 2022 is set out below:

	2023	2022
	RMB'000	*RMB'000*
Customer 1	**324,434**	745,504
Customer 2	**94,985**	N/A*
Customer 3	**N/A***	190,566

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**840,663**	978,862
Revenue from other sources		
Net licensing fee received from investments in drama series as a non-executive producer with share of copyrights	**–**	2,061
Total	**840,663**	980,923

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Licensing of the broadcasting rights of drama series	**749,233**	481,025
Made-to-order drama series production	**83,647**	495,877
Others	**7,783**	1,960
Total	**840,663**	978,862

	2023	2022
	RMB'000	*RMB'000*
Geographical markets		
Chinese Mainland	**840,663**	978,837
Others	**–**	25
Total	**840,663**	978,862

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**757,016**	482,985
Services transferred over time	**83,647**	495,877
Total	**840,663**	978,862

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

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	**91,712**	389,679

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

(ii) Performance obligations

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

Licensing of the broadcasting rights of drama series

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

Made-to-order drama series production

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

Others

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

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

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**189,771**	77,025

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

An analysis of other income and gains is as follows:

	2023	2022
	RMB'000	*RMB'000*
Government grants – related to income *(Note)*	**4,677**	21,459
Bank interest income	**2,968**	2,707
Interest income from loans receivable	**6,881**	7,092
Interest income from amount due from a joint venture	**–**	1,438
Foreign exchange differences, net	**–**	832
Change in fair value of financial assets at fair value through profit or loss	**–**	188
Others	**1,043**	173
Total other income and gains	**15,569**	33,889

Note:

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

5. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**760,456**	755,031
Depreciation of property, plant and equipment		**1,580**	1,133
Depreciation of right-of-use assets		**4,012**	3,502
Amortisation of other intangible assets*		**3**	14,503
Government grants	*4*	**(4,677)**	(21,459)
Bank interest income	*4*	**(2,968)**	(2,707)
Interest income from loans receivable	*4*	**(6,881)**	(7,092)
Interest income from amount due from a joint venture	*4*	**–**	(1,438)
Changes in fair value of financial assets and liabilities at fair value through profit or loss		**255**	(188)
Lease payments not included in the measurement of lease liabilities		**615**	122
Auditor's remuneration		**2,800**	2,800
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**18,874**	12,005
Equity-settled share award expenses		**5,790**	7,594
Pension scheme contributions**		**1,678**	904
Staff welfare expenses		**237**	487
Total		**26,579**	20,990
Loss on disposal of an associate		**–**	53
Impairment of financial assets, net:			
Impairment of trade receivables, net	*11*	**22,666**	1,154
Impairment of other receivables, net		**844**	6,984
Impairment of amount due from a joint venture, net		**–**	31,028
Total		**23,510**	39,166
Write-down of inventories to net realisable value***		**16,950**	6,139

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

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

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

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% (2022: 16.5%). No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the year.

The provision for current income tax in Chinese Mainland is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law. Horgos Strawbear Film Co., Ltd., Wuxi Strawbear Cultural Media Co., Ltd., Hainan Xuxuxing Culture Media Technology Co., Ltd. and Hainan Yiming Culture Media Technology Co., Ltd. are recognised as Small and Low-profit Enterprises, and the first RMB1,000,000 (2022: RMB1,000,000) of assessable profits of these subsidiaries are entitled to a preferential tax rate of 5% (2022: 2.5%) and the remaining assessable profits less than RMB2,000,000 (2022: RMB2,000,000) are entitled to a preferential tax rate of 5% (2022: 5%) during the year.

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

	2023	2022
	RMB'000	*RMB'000*
Current – Chinese Mainland		
Charge for the year	**3,764**	32,732
Deferred tax	**(13,741)**	(4,803)
Total tax (credit)/charge for the year	**(9,977)**	27,929

(b) A reconciliation of the tax (credit)/expense applicable to (loss)/profit before tax at the statutory rate in Chinese Mainland to the tax expense at the effective tax rate is as follows:

	2023	2022
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(117,486)**	77,936
Tax at the statutory tax rate of 25% in Chinese Mainland	**(29,372)**	19,484
Effect of tax rate differences in other jurisdictions	**842**	28
Tax effect of tax exemption granted to subsidiaries	**244**	185
Expenses not deductible for tax	**12,786**	845
Tax losses utilised from previous periods	**(1,112)**	(2,552)
Profits and losses attributable to joint ventures and associates	**405**	752
Temporary differences not recognised	**1,741**	6,803
Tax losses not recognised	**4,489**	2,384
Tax (credit)/charge at the Group's effective tax rate	**(9,977)**	27,929

7. DIVIDENDS

The board of directors has resolved not to recommend payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares for the year ended 31 December 2023 is adjusted to reflect the shares repurchased for the trustee under the restricted share unit scheme adopted by the Company in 2021 ("**2021 RSU Scheme**") and restricted share unit scheme adopted by the Company in 2022 ("**2022 RSU Scheme**") during the year.

The calculation of the diluted (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares arising from the restricted share units and the share options.

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

	2023	2022
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(109,307)**	50,933

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**677,263,086**	675,075,687
Effect of dilution – weighted average number of ordinary shares:		
Restricted share units	**NA***	5,057,218
Share options	**NA***	21,482,542
Total	**NA***	701,615,447

* No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2023 in respect of a dilution as the impact of the restricted share units and share options had an anti-dilutive effect on the basic loss per share amount presented.

9. GOODWILL

	2023	2022
	RMB'000	*RMB'000*
Cost and net carrying amount at beginning of year and at end of year	**108,341**	108,341

Impairment testing of goodwill

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

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

	2023	2022
	%	*%*
Gross profit margin	**14**	14
Terminal growth rate	**3**	3
Pre-tax discount rate	**20.0**	19.3

Assumptions were used in the value in use calculation of the Hangzhou Yide cash-generating unit for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

10. INVENTORIES

	2023	2022
	RMB'000	*RMB'000*
Raw materials	**220,144**	178,178
Work in progress	**682,032**	157,453
Finished goods	**406,305**	773,802
Total	**1,308,481**	1,109,433

11. TRADE AND NOTES RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**554,578**	449,956
Notes receivable	**40,700**	113,838
	595,278	563,794
Impairment	**(41,105)**	(18,439)
Net carrying amount	**554,173**	545,355

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

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**139,309**	64,355
3 to 6 months	**176,124**	66,971
6 to 12 months	**128,125**	150,510
1 to 2 years	**37,271**	141,199
2 to 3 years	**32,644**	8,482
Total	**513,473**	431,517

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

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

As at 31 December 2023

	Trade receivables ageing					
	Current	**Less than 1 year and past due**	**1 to 2 years and past due**	**2 to 3 years and past due**	**More than 3 years and past due**	**Total**
Expected credit loss rate	**0.59%**	**1.94%**	**15.77%**	**32.91%**	**100.00%**	**7.41%**
Gross carrying amount *RMB'000*	**129,622**	**314,583**	**44,248**	**57,903**	**8,222**	**554,578**
Expected credit losses *RMB'000*	**759**	**6,094**	**6,977**	**19,053**	**8,222**	**41,105**

As at 31 December 2022

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

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**18,439**	17,285
Impairment losses recognised, net *(note 5)*	**22,666**	1,154
At end of year	**41,105**	18,439

The increase (2022: increase) in the loss allowance of RMB22,666,000 was mainly due to an increase of trade receivables which were past due for over 2 years and more than 3 years (2022: increase in the loss allowance of RMB1,154,000 was mainly due to an increase of trade receivables which were past due for over 2 years).

Included in the Group's trade and notes receivables were amounts due from the Group's related parties of RMB208,209,000 (2022: RMB320,529,000), which were repayable on credit terms similar to those offered to the major customers of the Group.

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

The Group's trade receivables with an aggregate net carrying value of approximately RMB5,200,000 (2022: RMB211,384,000) were pledged to secure bank loans granted to the Group (note 14).

At 31 December 2023, notes receivable of RMB40,700,000 (2022: RMB21,888,000), whose fair values approximate to their carrying values, were classified as financial assets at fair value through other comprehensive income under HKFRS 9.

At 31 December 2023, the Group endorsed certain notes receivable accepted by banks in Chinese Mainland (the "**Endorsed Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**") with a carrying amount in aggregate of RMB2,000,000 (2022: RMB78,200,000). In addition, at 31 December 2023, the Group discounted certain notes receivable accepted by certain banks in Chinese Mainland (the "**Discounted Notes**") with a carrying amount in aggregate of RMB8,400,000 (2022: RMB49,500,000). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**").

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes and Discounted Notes accepted by large and reputable banks with an amount of RMB2,000,000 (2022:RMB44,000,000) and RMB8,400,000 (2022: Nil), respectively, as at 31 December 2023 (the "**Derecognised Notes**"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables settled by the Endorsed Notes.

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

At 31 December 2023, no such remaining Endorsed Notes that the Group continued to recognise the full carrying amount and the associated trade payables settled (2022: RMB34,200,000), and no proceeds received from the discount of the remaining Discounted Notes that the Group continued to recognise as short-term loan (2022: RMB49,500,000) because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes and Discounted Notes. During the year, the Group recognised the interest expense on the discounted notes receivable amounting to RMB1,814,000 (2022: RMB4,443,000).

12. TRADE PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**300,794**	215,307

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**97,013**	77,551
3 to 6 months	**61,063**	27,168
6 to 12 months	**99,021**	2,400
1 to 2 years	**33,871**	84,549
2 to 3 years	**7,955**	22,194
Over 3 years	**1,871**	1,445
Total	**300,794**	215,307

Included in the trade payables were trade payables of RMB225,249,000 (2022: RMB34,972,000) due to the Group's related parties which were repayable within 120 days, which represented credit terms similar to those offered by the related parties to their major customers.

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

13. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Contract liabilities *(note (a))*	215,527	137,039
Other payables *(note (b))*	4,580	14,327
Other tax payables	2,191	6,264
Payroll and welfare payable	2,123	547
Total	**224,421**	158,177

Notes:

(a) Details of contract liabilities are as follows:

	2023	2022
	RMB'000	*RMB'000*
Short-term advances received from customers		
Licensing of the broadcasting rights of drama series	**188,988**	76,868
Made-to-order drama series production	**25,756**	60,014
Others	**783**	157
Total	**215,527**	137,039

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

Included in the contract liabilities are advances received from the Group's related parties of RMB189,463,000 (2022: RMB48,251,000).

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2023 RMB'000
Current			
Bank loan – secured *(note (a))*	**3.80**	**2024**	**160,562**
Bank loan – secured *(note (a))*	**5.20**	**2024**	**50,000**
Bank loan – secured *(note (b))*	**3.65**	**2024**	**10,006**
Bank loan – secured *(note (b))*	**3.55**	**2024**	**8,042**
Bank loan – unsecured	**3.80**	**2024**	**10,012**
Bank loan – unsecured	**3.50**	**2024**	**10,012**
Bank loan – unsecured	**3.55**	**2024**	**10,006**
Bank loan – unsecured	**3.90**	**2024**	**10,011**
Bank loan – unsecured	**3.65**	**2024**	**10,012**
Total – current			**278,663**
Non-current			
Bank loan – secured *(note (b))*	**3.55**	**2025**	**28,000**
Total			**306,663**

	Effective interest rate (%)	Maturity	2022 RMB'000
Current			
Bank loan – secured *(note (c))*	5.20	2023	150,768
Bank loan – secured *(note (d))*	5.22	2023	12,622
Bank loan – secured *(note (e))*	4.60	2023	40,056
Discounted notes receivable – secured *(note (f))*	5.00	2023	49,500
Bank loan – unsecured	4.40	2023	10,013
Bank loan – unsecured	4.85	2023	10,014
Other borrowing – unsecured	5.00	2023	3,000
Total			275,973

	2023 *RMB'000*	2022 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**278,663**	272,973
In the second year	**28,000**	–
Subtotal	**306,663**	272,973
Other borrowing repayable:		
Within one year	**–**	3,000
Total	**306,663**	275,973

Notes:

(a) The Group's bank loans are secured by the pledge of certain of the Group's trade receivables amounting to RMB5,200,000 and short-term deposits amounting to RMB62,778,000 and are guaranteed by the Company.

(b) The Group's bank loans are guaranteed by the subsidiaries.

(c) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB138,584,000 and short-term deposits amounting to RMB31,333,000 and was guaranteed by the Company.

(d) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB36,000,000 and was guaranteed by subsidiaries.

(e) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB36,800,000 and restricted cash amounting to RMB43,200,000.

(f) The Group's discounted notes receivable were secured by the pledge of short-term deposits amounting to RMB30,160,000.

(g) All borrowings are denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

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

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

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

During 2023, while the Group was pushing ahead with its own business, it has never left behind the fulfillment of corporate responsibilities. It strived for the organic compatibility between social and economic efficiency and promoted a more sustainable growth, making contribution to achieving the goal of "carbon peak and carbon neutrality (雙碳)" in ESG. In recognition of its outstanding performance in ESG management system, green industrial production, and social welfare activities, the Group was rewarded with "2023 ESG Pioneer Enterprise Award (2023年度ESG先鋒企業獎)" in the 13th Philanthropy Festival and 2023 ESG Summit convened in Beijing on January 24, 2024.

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

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

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

Name of the Drama Series	Genre	Director(s) and Major Cast Members	Role	Production Type	Status as of December 31, 2023	Expected Broadcasting Time
TV Series						
Legend of Bikini (《乘風踏浪》)	Metropolitan	Zhang Silin (張思麟), Qiao Shan (喬杉), Yang Zishan (楊子姍)	Production and distribution	Original	To be broadcast	2024
The Lost (《孤戰》)	Modern Spy War	Xie Ze (謝澤), Huang Jingyu (黃景瑜), Xin Zhilei (辛芷蕾)	Production and distribution	Original	To be broadcast	2024
Breaking the Shadows (《烏雲之上》)	Crime	Hua Jing (花菁), Sun Li (孫儷), Luo Jin (羅晉)	Production and distribution	Original	Post-production	2024
In the Name of the Brother[1] (《哈爾濱一九四四》)	Classic Spy War	Zhang Li (張黎), Qin Hao (秦昊), Yang Mi (楊冪)	Production and distribution	Original	Post-production	2024
Cat & Thief (《鬥賊》)	Crime	Gong Zhaohui (龔朝輝), Huang Jingyu (黃景瑜), Xiu Rui (修睿)	Production and distribution	Adaptation	Completed and Under examination	2024
The Trident 2 (《三叉戟2》)	Crime	Liu Haibo (劉海波), Cao Kai (曹凱), Chen Jianbin (陳建斌), Dong Yong (董勇), Hao Ping (郝平)	Production and distribution	Original	Completed and Under examination	2024
Light My Way (《偷走他的心》)	Teen drama with hot-blooded rescue	Wu Qiang (吳強), Ma Sichao (馬思超), Wan Peng (萬鵬)	Production and distribution	Adaptation	Completed and Under examination	2024
Web Series						
No One but You (《也許這就是愛情》)	Metropolitan	Wu Qiang (吳強), Chen Yuqi (陳鈺琪), Fang Yilun (方逸倫)	Production and distribution	Adaptation	To be broadcast	2024
Reborn for Love (《四海重明》)	Period Other	Wen Deguang (溫德光), Jing Tian (景甜), Zhang Linghe (張淩赫)	Production and distribution	Adaptation	Post-production	2024
Win or Die (《夜不收》)	Period Military	Cao Dun (曹盾), Jing Boran (井柏然), Wu Xingjian (吳幸建), Zhang Yifan (張藝凡)	Production and distribution	Original	Wrap	2024

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

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

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

Business Analysis by Business Line

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

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

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

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

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

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

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

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

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

(iii) Others

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

OUTLOOK

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

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

Revenue by Business Line

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

Licensing of the broadcasting rights of drama series

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

Made-to-order drama series production

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

Others

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

Gross Profit and Gross Profit Margin

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

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

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

Other Income and Gains

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Impairment of Financial Assets, net

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

For further details of the impairment of financial assets, net, please refer to the Note 11 to financial statements.

Income Tax Credit/(Expense)

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

Non-HKFRS Measure

To supplement its historical financial information which are presented in accordance with HKFRS, the Group also uses adjusted net (loss)/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 (loss)/profit may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, the Group's results of operations or financial condition as reported under HKFRS.

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

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

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

Inventories

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

Trade and Notes Receivables

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

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

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

Prepayments, Other Receivables and Other Assets

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

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

Goodwill

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

Trade Payables

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

Other Payables and Accruals

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

CAPITAL STRUCTURE, LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

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

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

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

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

Contingent Liability

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

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

Capital Expenditure

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

Financial Ratios

Return on Equity

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

Return on Assets

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

Current Ratio

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

Debt to Equity Ratio[1]

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

PLEDGE OF ASSETS

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

FINANCIAL RISKS

Credit Risk

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

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

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

The Group has applied the general approach to 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.

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

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, 2023.

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

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

The employees of the Group typically enter into standard employment contracts with a confidentiality clause and non-competition agreements with the Group. The Group places high value on recruiting, training and retaining its employees. The Group maintains high recruitment standards and provides competitive compensation packages. Remuneration packages for its employees mainly comprise base salary and bonus. The Group also provides both in-house and external trainings for its employees to improve their skills and knowledge. The Group 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 deducting underwriting fees and commissions and other expenses payable by the Company in connection with the global offering, amounted to approximately HK$1,071.1 million (the "**Net Proceeds**").

On September 15, 2021, the Board has resolved to re-allocate part of the unutilised Net Proceeds of approximately HK$635.7 million (approximately 59.4% of the Net Proceeds), of which (i) HK$528.6 million originally intended to be used for funding the production of *Hello Baby* (《你好寶貝》), *No One but You* (《也許這就是愛情》), *Light My Way* (《偷走他的心》), *The Wind Catcher* (《捕風者》) and *Two Capitals* (《兩京十五日》) (the "**Original Drama Series**") was re-allocated to funding the production of *Cat & Thief* (《鬥賊》), *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 acquire more premium IPs. Considering that (i) the Original Drama Series whose production was originally intended to be funded with Net Proceeds were in the early development or preparation stage, and necessary conditions required for production have not been met; and (ii) the Group has obtained a number of premium and mature projects with necessary conditions required for production having been met in the first half of 2021, the Net Proceeds originally intended to be used for the production of the Original Drama Series were re-allocated to the production of the New Drama Series then under production, so as to enhance the efficiency and effectiveness of the use of the Net Proceeds. In addition, as (i) no suitable acquisition target of premium copyright company has been found due to the combined effect of changes in the market structure and significant differences in the understanding of the value of the potential acquisition target, (ii) instead of acquisition of one highly valued copyright company, the Board believes that acquisition of premium IPs directly from a variety of sources to maintain an adequate level of IP reserves would be much more efficient and could facilitate efficiency in the use of the Group's funds due to the rapid and unforeseen changes in the market and industry environment since the Listing, and (iii) the current sources of premium IPs are more diversified and that the continuous acquisition of more IPs is the basis for the stable growth of the Group, the Group re-allocated part of the Net Proceeds originally planned to be used for acquiring one premium copyright company which focuses on investment, development, production and distribution of web series to acquiring more premium IPs suitable for the development and production by the Group to guarantee the stable growth of drama series production and distribution, which will also satisfy the demand for premium IPs of the Group in a more flexible way. For details, please refer to the announcement of the Company dated September 15, 2021 (the "**Announcement**").

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

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

Note:

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

As of December 31, 2023, the Group has utilised Net Proceeds of HK$964.0 million in accordance with the intended purposes set out in the Prospectus and the Announcement. The remaining Net Proceeds were deposited in banks as of the date of this 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 does 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 C1 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 C1 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Liu is currently serving as the Chairman as well as the chief executive officer of the Company. As Mr. Liu is the founder of the Group and has been managing the Group's business and overall strategic planning since its establishment, the Directors consider that vesting the roles of chairman and chief executive officer in Mr. Liu is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group. Taking into account all the corporate governance measures that the Group implemented, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company has 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 their office or employment, are likely to possess inside information in relation to the Group or the Company's securities.

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

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, 2023, 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 December 31, 2023, but represents an extract from the consolidated financial statements for the year ended December 31, 2023 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 Wednesday, June 12, 2024. A notice convening the AGM will be published on the respective websites of the Company and HKEXnews 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 Thursday, June 6, 2024 to Wednesday, June 12, 2024, 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 Wednesday, June 12, 2024 will be Wednesday, June 12, 2024. 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 Wednesday, June 5, 2024.

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

This annual results announcement is published on the HKEXnews' website (www.hkexnews.hk) and the Company's website (www.strawbearentertainment.com), and the 2023 annual report containing all the information required by the Listing Rules will be published on the respective websites of HKEXnews and the Company on or before April 30, 2024.

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 Wednesday, June 12, 2024
"AIGC"	Artificial Intelligence Generated Content
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"broadcasting right(s)"	(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 C1 to the Listing Rules
"Chairman"	the Chairman of the Board
"China" or the "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to "China" and the "PRC" do not apply to Taiwan Province, Hong Kong and the Macau Special Administrative Region of the People's Republic of China
"Company" or "the Company"	Strawbear Entertainment Group (稻草熊娱乐集团), an exempted company with limited liability incorporated under the laws of Cayman Islands on January 3, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Consolidated Affiliated Entities"	the entities the Company controls through the Contractual Arrangements, namely Jiangsu Strawbear and its subsidiaries, further details of which are set out in "Contractual Arrangements" in the Prospectus

"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Nanjing Strawbear, Jiangsu Strawbear and its registered shareholders, details of which are described in "Contractual Arrangements" in the Prospectus
"D2C"	direct-to-consumer, a business model that manufacturers selling directly to their end-customers
"Director(s)"	director(s) of the Company
"drama series"	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"	the first round broadcast of a drama series on the TV channel or online video platform
"Group" or "the Group"	the Company, its subsidiaries and Consolidated Affiliated Entities at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IP(s)"	intellectual properties such as existing films, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new drama series or films
"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
"LED"	Light-Emitting Diode
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on January 15, 2021

"Listing Date"	the date, namely January 15, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"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 C3 to the Listing Rules
"Mr. Liu"	Mr. Liu Xiaofeng (劉小楓), Chairman, an executive Director, the chief executive officer of the Company, one of the Group's controlling shareholders and one of the registered shareholders of Jiangsu Strawbear
"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
"NRTA"	National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), the successor of the State Administration of Press, Publication, Radio, Film, and Television of the PRC (中華人民共和國國家新聞出版廣電總局)
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by the Company on May 11, 2020, the principal terms of which are summarised in "Appendix IV – Statutory and General Information – D. Other Information – (1) Pre-IPO Share Option Scheme" in the Prospectus
"Prospectus"	the prospectus of the Company published on December 31, 2020
"re-run broadcast"	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, 2023 to December 31, 2023
"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 adopted on September 15, 2021 by the Company, as amended from time to time, and/or (ii) the 2022 restricted share unit scheme 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$0.000025 each
“Shareholder(s)”	holder(s) of the Shares
“TV”	television
“TV series”	a series of scripted episodes that needs to obtain a distribution licence from the NRTA, which are broadcast on TV channels and/or new media channels such as online video platforms
“US$”	United States dollars, the lawful currency for the time being of the United States
“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 “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 25, 2024

As of the date of this announcement, the Board comprises Mr. Liu Xiaofeng, 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.