稻草熊娱乐集团
Strawbear Entertainment Group

股份代號
STOCK CODE
2125

於開曼群島註冊成立之有限公司
INCORPORATED
IN THE CAYMAN ISLANDS
WITH LIMITED LIABILITY

ANNUAL REPORT
年度報告
2024

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Liu Xiaofeng *(Chairman)*
Mr. Chen Chen *(retired on June 12, 2024)*
Ms. Zhai Fang

Non-executive Directors

Mr. Wang Xiaohui
Ms. Liu Fan

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Zhang Senquan *(Chairman)*
Ms. Liu Fan
Mr. Chung Chong Sun

REMUNERATION COMMITTEE

Mr. Ma Zhongjun *(Chairman)*
Mr. Liu Xiaofeng
Mr. Chung Chong Sun

NOMINATION COMMITTEE

Mr. Ma Zhongjun *(Chairman)*
Mr. Liu Xiaofeng
Mr. Chung Chong Sun

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Zhai Fang
Ms. Zhang Xiao

AUTHORISED REPRESENTATIVES

Ms. Zhai Fang
Ms. Zhang Xiao

REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HEADQUARTERS IN THE PRC

Room 2508, Building A
Wanda Plaza, No. 98
Jiangdong Zhong Road
Jianye District
Nanjing, Jiangsu
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10204
Grand Cayman, KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Bank of Nanjing Co., Ltd.
Nanjing Chengdong Sub-branch
No. 99-1 Zhongshanmen Avenue
Xuanwu District
Nanjing, Jiangsu
PRC

East West Bank (China) Ltd.
33/F, Jin Mao Tower
No. 88 Century Boulevard
Pudong New Area, Shanghai
PRC

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

HONG KONG LEGAL ADVISOR

Tian Yuan Law Firm LLP
Suites 3304-3309, 33/F
Jardine House
One Connaught Place
Central, Hong Kong

STOCK CODE

2125

COMPANY'S WEBSITE

www.strawbearentertainment.com

CHAIRMAN'S STATEMENT

I am pleased to present our shareholders with the annual report of the Group for the year ended December 31, 2024.

2024 was a milestone year for the Group, and the year in which the establishment and operation of the brand of Strawbear entered its first "decade". With continuous accumulation in the film and television industry over the past decade, the Group continues to deepen its platform operation model, enhance its core competitiveness, and march for sustainable and stable development. At the same time, the Group keeps adjusting its business development strategies and expansion pace in a timely manner, unceasingly gropes for and makes breakthroughs in an environment where opportunities and risks co-existed, and is committed to bringing more high-quality contents to the audience.

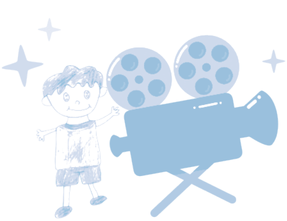
BUSINESS HIGHLIGHTS

1) The platform operation model gathers resources in an all-round way, and high-quality content emerges in endlessly

In 2024, the Group adhered to its development strategy of persevering in producing high-quality content as a long-termist, continued to deepen the platform operation model, and further enhanced its service capabilities of the "comprehensive middle platform". With the help of a continuously deepening platform operation model, the Group's capacity in business service had been constantly enhanced, which allowed it to provide comprehensive and refined business services to talented participants in each production session, enabling the Group to maintain close relationships of mutual dependence and success with the talented industry participants, including screenwriters, producers, directors and actors and actresses, integrating them into the Group's content ecosystem and empowering the production of high-quality content. With the stable internal team, external partners, and business development model, the Group has actively responded to the higher demands regarding quality of drama series from broadcast platforms and audiences, striving to build a content brand that centers on high-quality drama series.

In 2024, the Group had maintained a virtuous cycle of its content capacities and drama series quality which achieves stable provision of premium content to audiences, and continuously strengthens and consolidates the Group's brand influence and market competitiveness through the continuous output of high-quality content. The Group was awarded with "Inclusion China" Influential Enterprise of the Year (「融合中國」年度影響力機構) in the 2024 All-Media Information Industry Innovation Conference and "Inclusion China" Promotion Ceremony for Outstanding Radio, Film and Television Projects held in Ningbo on April 14, 2024. The Group was awarded with Drama Company of the Year (年度劇集公司) in the CEIS 2025 China Entertainment Industry Annual Conference and Golden Pufferfish Honourably Selected Event held in Beijing on January 9, 2025.

During the year, the Group had broadcast four drama series in different genres, all of which had achieved good broadcasting results and received favorable market comments. *The Swimsuit Saga* (《乘風踏浪》), a contemporary entrepreneurial comedy 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) was premiered on iQiyi and Mango TV, and simultaneously broadcast on Beijing Radio & Television Station and Dragon TV via satellite on March 29, 2024. The comedy tells a story about people who make swimsuits in Xingcheng riding on the wind of reform to successfully start a business. With success of the drama series, the filming location, Huludao in Liaoning province, has become a hot tourist destination. According to the Liaoning Daily (遼寧日報), Huludao was one of the top three tourist attractions in northeast China during the "May Day" holiday, achieving the goal of "igniting a city through a drama series".



BUSINESS HIGHLIGHTS (CONT'D)

1) The platform operation model gathers resources in an all-round way, and high-quality content emerges in endlessly (cont'd)

In the Name of the Brother (《哈爾濱一九四四》), a period drama series about spy war, has been co-broadcast on iQiyi, Dragon TV, Jiangsu TV and Beijing Radio & Television Station on April 21, 2024, which was the first commercial drama co-broadcast on three major satellite TV channels in recent years. 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), the drama series narrates a story, against the backdrop of the eve of victory in the war of resistance, about a communist secret agent who penetrated the secret agent unit of the Harbin Police Department and had a battle of wits with the head of the unit, and how the nobodies broke through the darkness to embrace the lightness in an upheaval time and finally cleared the path to final victory of the war of resistance. *In the Name of the Brother* (《哈爾濱一九四四》) was highly anticipated by the market before broadcast and was honored with the "Most Expected Drama Series of 2024" of the Golden Pufferfish Awards (金河豚獎) at the CEIS 2024 China Entertainment Industry Annual Conference in January 2024. *In the Name of the Brother* (《哈爾濱一九四四》) even broke a number of records during the period of broadcasting, with its hits peaking at 9,350 on iQiyi, a new hits record on the first day of broadcasting on iQiyi in 2024 and the fastest hits record of exceeding 8,500 on iQiyi in 2024, ranking Top 1 of iQiyi Hits (愛奇藝熱播榜), Top 1 of iQiyi Drama Series Hits (愛奇藝電視劇熱播榜), Top 1 of iQiyi Drama Series Rising (愛奇藝電視劇飈升榜), and Top 1 of iQiyi Mystery Drama Series (愛奇藝電視劇懸疑榜).

Lost Identity (《孤戰迷城》), a modern spy war drama series, was premiered on iQiyi and Tencent Video on June 29, 2024 and was broadcast on Beijing Radio & Television Station and Dragon TV on July 14, 2024. The drama series, directed by Xie Ze (謝澤), scripted by Dai Jin (戴津) and Jiang Feng (蔣峰), and starred by Huang Jingyu (黃景瑜) and Xin Zhilei (辛芷蕾), with the theme of destroying the enemy's conspiracies and protecting national security, narrates a story about a sleeper spy struggled to escape from the horrific shadow of the Japanese army's biochemical gas research institute and worked together with the heroine who was lurking in the Bureau of Investigation and Statistics (BIS) to remove all obstacles to track down the secrets behind the Japanese army's biochemical research institute and unmask the real intention of the Japanese spies. Featuring toxic gas war, spy war and psychological war, *Lost Identity* (《孤戰迷城》) is not only a thriller drama reflecting the turbulence of the time, but also a legendary story about faith, perseverance and courage.

Love's Rebellion (《四海重明》), a fairy tale romance drama series, was broadcast on Mango TV on July 31, 2024, and was broadcast on iQiyi on August 1, 2024. The drama series, directed by Wen Deguang (溫德光), scripted by Fang Qiangqiang (方羌羌), and starred by Jing Tian (景甜) and Zhang Linghe (張淩赫), narrates a story about the heroine for the treatment of the mother's heart diseases, worships into the Yangyue Sect to study the poison. However, she accidentally plants the "Lingxi Mark" of marriage with the hero who hides her identity. The two communicate their feelings and, in the process of investigating the truth about the heart disease, accidentally get involved in a huge conspiracy. The drama series has achieved good broadcasting results since it was broadcast, and has been ranked Top 1 in romance TV drama (電視劇愛情榜) and top 2 on period TV drama (電視劇古裝榜) for a number of times on iQIYI, and top 1 in hit topic TV series (話題熱搜榜) and top 2 in most sought TV series (電視劇熱搜榜) on Mango TV during the broadcast period. In addition to its outstanding performances in the ranking lists of the aforesaid platforms, *Love's Rebellion* (《四海重明》) has also ranked among the top on a number of ranking lists, such as top 1 in most influential drama series on Weibo (微博劇集影響力榜) and top 2 in real-time popular TV drama on Douban. In addition, *Love's Rebellion* (《四海重明》) has ranked top 1 on iQiyi's most sought TV series in 13 overseas countries and regions during the broadcast period, which fully reflected the popularity of the drama series among overseas audiences. It is another signature drama series with binge-worthiness of the Group's high-quality TV series going global.

BUSINESS HIGHLIGHTS (CONT'D)

2) Maintaining rich and diversified IP reserves, creating series of high-quality content

In 2024, the Group always attached great importance to the stockpiling and development of its IPs, further deepened the strategic layout of IPs, effectively utilized internal and external resources, and accelerated the expansion of high-quality IPs. At the same time, the Group placed equal importance on premium original IPs and IP development, continuously enhanced the evaluation dimension and market sensitivity of its content evaluation team and continued to enhance its internal advantage in screenplay development and project innovation. Through ongoing accumulation, the Group continuously optimized IP structure and increasingly abundant IP reserves, securing a content backlog for the Group's future production of film and television works and subsequent exploration of derivative value.

As of December 31, 2024, the Group had a large number of high-quality and top-rated project reserves covering diversified segments, genres and themes, which includes *Two Capitals* (《兩京十五日》), a drama series adapted from a novel written by Ma Boyong (馬伯庸), *Sheng Ming Yuan* (《生命緣》), a drama series scripted by Wang Xiaoqiang (王小槍), *A Nan* (《阿南》), a metropolitan emotion drama series adapted from a novel written by Twentine, *The Disfavor Daughter* (《被嫌棄的女兒》), a metropolitan drama series adapted from a novel written by Tang Jinhui (唐金輝), *Redemption on the Blade* (《刀鋒上的救贖》), a mystery drama series adapted from a novel written by Zhiwen (指紋), *The Last Quarter of the Moon* (《額爾古納河右岸》), a novel written by Chi Zijian (遲子建) and a number of top and popular IPs, as well as Ma Boyong (馬伯庸)'s Works Series, *Seven Weapons* (《七種武器》) (Original: Gu Long (古龍)) Works Series and *Renegade Immortal* (《仙逆》) (Original: Er Gen (耳根)) Works Series and its original serialized IPs such as *Songs to the Drinks* (《對酒歌》) and *World of the Oddballs* (《奇人世界》).

The Group believes that a good storyline is the key to the success of a drama series, the abundant and diversified IP reserves will enable the Group to have ample contents for its subsequent production of high-quality drama series, and to further promote the Group's content landscape with diversified segments. For example, *Seven Weapons* (《七種武器》) and *The Disfavor Daughter* (《被嫌棄的女兒》) serve as IP reserves that can be converted into relatively short high-quality dramas, confirming the ability of the Group's content evaluation team to correctly predict market trends and select high-quality IPs. Furthermore, the Group also continued to strengthen its control over the quality of IP-converted content while maintaining a stable number of IP reserves. Therefore, the Group keeps refining each process of the production, from IP screening, screenplay adaptation, filming to distribution and promotion of films and television drama series, and strives to achieve coordination and collaboration of every process of the production, so as to minimize the cost and development risks from IP adaptation in the production of films and TV drama series, and thus maximize the IP conversion rate in film and TV production.

BUSINESS HIGHLIGHTS (CONT'D)

3) Promote the diversification of revenue structure, stable and sustainable development in the future

In 2024, while consolidating its main business and producing high-quality content, the Group closely monitored the market environment and industry trends, continuously explored and expanded its revenue channels, further improved the resource layout of the entire industry chain, promoted the diversification of future revenue structures, and achieved stable growth.

The Group believes that the monetization of high-quality IP is not limited to screens. With the diversification of national lifestyle and entertainment, consumers increasingly attach importance to offline experiences. Therefore, the Group continues to pay attention to the expansion of commercial monetization channels for high-quality IP, insists on promoting the layout of the pan-entertainment industry with high-quality IP as the core, actively researches and explores the subsequent commercial value based on the transformation of high-quality IP, such as the development and establishment of offline real-life interactive projects and theme parks based on high-quality IP. The development of OST concerts and related derivative products based on top film and television works, with the aim of transforming the Group's "online traffic" into "offline achievements" and supporting the Group's sustainable development.

In addition, the Group invested in a fund in 2024, and the investment objective of it is to focus on new consumption upgrades, new cultural, sports and tourism consumption scenarios, digital economy, new products and new economic formats, etc., center on the full empowerment of technology advancement and technology innovations for consumption in cultural, sports and cultural and tourism industries, and seek equity investment opportunities in leading companies and high-growth companies. It is a strong proof of the Group's indirect involvement in the pan-entertainment industry and the expansion of diversified revenue channels.

In the future, the Group will continue to seek high-quality monetization channels that are related to its business and/or may create synergy effects, which will contribute to the diversification of the Group's revenue structure, create increasingly diverse monetization pathways across the entire industry chain, and promote the Group's long-term stable and sustainable development.

FINANCIAL HIGHLIGHTS

The Group's revenue increased by 33.8% year-on-year from approximately RMB840.7 million in 2023 to approximately RMB1,124.5 million in 2024. The Group's gross profit increased by 139.5% year-on-year from approximately RMB63.3 million in 2023 to approximately RMB151.5 million in 2024. The Group's loss for the year decreased by 97.2% year-on-year from approximately RMB107.5 million in 2023 to approximately RMB3.0 million in 2024. The Group recorded adjusted net profit (Non-HKFRS measure)[1] of approximately RMB12.2 million for the year ended December 31, 2024, as compared to an adjusted net loss of approximately RMB88.1 million for the year ended December 31, 2023. Net assets as of December 31, 2024 amounted to approximately RMB1,753.3 million, representing an increase of 0.8% from approximately RMB1,739.3 million as of December 31, 2023.

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

OUTLOOK

Looking ahead, the Group believes that with the support of national policies, users' rigid demand for high-quality film and television content, and artificial intelligence empowering the film and television industry, the film and television market in China still has great potential. The Group will continue to closely focus on the core of "creating quality content" and adopt the development strategy of "integration, series development, and rejuvenation (集大成・鑄系列・煥新生)" and actively explore and try diversified monetization channels, continuously enhancing the Group's long-term growth potential and shareholder value and creating a quality content brand for Strawbear Entertainment.

1) Continue to improve the principle business, adhere to the equal importance on high-quality content output and diversified IP reserves

As a film and television production company, the Group always believes that continuously delivering high-quality content to the audience is the foundation of the Group's business, and a rich and diverse reserve of high-quality IP can provide sufficient content guarantee for the conversion of top-tier drama series.

Therefore, the Group will continue to further the application of platform operation model, expand the depth and range of resource integration under the platform operation model. We will also continuously strengthen the introduction of and adhesion with quality content teams in the industry to gradually enhance the refined production management capacities, so as to provide solid foundation and source power for the production of quality drama series, and to promote the output of the Group's premium content.

In terms of IP reserves, the Group adheres to the equal importance on its capabilities in original creation as well as external procurement as always, continuously strengthens research and prediction on existing advantageous tracks and future trends, broadens the channels for creation and acquisition of IPs, and continuously enhances all stages of work such as IP procurement, project initiation and production in a more refined manner. The Group will carry out the reserve works for quality IPs in a solid and effective manner, continue to layout in multiple segments, striving to provide sufficient source power for creating top-tier works featuring both social and commercial values.

2) Rationally explore on and attempt for new technologies to promote industrial innovation

The Group believes that advanced technologies can increase production efficiency and empower product innovation, and if used properly, they can not only help the Group to reduce costs and enhance efficiency, but also facilitate the amplification in high-quality IP value. In the future, through continuous learning, research, practice and improvement, the Group will capture the new technologies in the industry and is in hope of promoting industrial innovation by the application of new technologies, identifying new value growth driver from the integration of technology and content, and opening up incremental market space in the industry.

In 2024, the Group entered strategic collaborations with multiple partners who possess new technologies, formats, and business models, involving areas such as digital IP development, AI production, and micro drama development. The Group and these partners will leverage their respective strengths to collaborate on the application of AI production in film and television, commercial development of pan-entertainment based on IP, development of offline new cultural and tourism projects, and innovation in the field of micro dramas, achieving comprehensive empowerment from film and television production, entertainment, to diversified cultural experience design, production, and development. The Group expected to integrate innovative business models, technological tools, and content creation resources through cooperation with innovative resources in the industry, and jointly create content products with greater depth and practical application support with partners, explore new development opportunities, form a more mature cultural industry workflow of technology empowerment and product structure empowerment, and jointly promote the innovative development and cultural prosperity of the film and television industry.

OUTLOOK (CONT'D)

3) Continue to seek diversified monetization pathways to expand the revenue channels

As of December 31, 2024, the Group's revenue in the past was mainly generated from the licensing fees obtained from licensing of broadcasting rights of drama series to TV channels, online video platforms and third-party distributors, as well as the production fees received from production of made-to-order drama series per online video platforms' orders. Having developed in-depth in the film and television industry for years, the Group has continued to maintain a relatively leading position in the film and television industry in the PRC. In recent years, the Group has been continuously exploring and seeking diversified monetization channels that are related to its business and/or may create synergy effects, striving to expand its revenue channels.

In the future, the Group will consciously create a series of operational, commercial, and productized IPs, gradually build a pan-entertainment ecosystem centered on high-quality IPs, and strive to actively expand other ecological contents in addition to the film and television business. At the same time, the Group will continue to adopt a cautious attitude towards financial management and cost control, identify suitable business and investment opportunities to facilitate the growth of the Group's business, gradually promote the formation of a more diversified and sustainable business and revenue system, and continuously enhance the Group's long-term growth potential and shareholder value.

ACKNOWLEDGEMENT

Last but not least, on behalf of the Board, I would like to express our heartfelt thanks to the management team and all of our staff for their unremitting efforts and valuable contributions to the Group. The Board would also like to express its sincere gratitude to all of our shareholders, partners and stakeholders for their trust and support to the Group.

Yours faithfully,

Liu Xiaofeng
Chairman of the Board

Nanjing, PRC
April 28, 2025

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. In 2024, under the proper leadership of the Board, the Group, led by the Company's management who unite all staff members, proactively adapted to the ever-changing market landscape of the film and television industry, put its green operation philosophy into practice and achieved outstanding performance in terms of the broadcasted drama series.

During the Reporting Period, with the continuously 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 been able to gather premium industrial resources in a relatively quick manner and carry out in-depth exploration of such resources. Leveraging on further refined business management service capabilities, the Group has been able to make possible rapid allocation of the industrial quality resources, systematically integrate talented screenwriters, producers, directors and actors and actresses, filming and production studios, as well as external quality control specialists into a comprehensive ecosystem, and continue to enhance the adhesion of cooperation with the high-quality resources in the industry that it has already partnered with, and at the same time, continue to attract and expand new high-quality partners to co-create high-quality content.

Meanwhile, the Group continuously adhered to its development strategy of persevering in producing quality contents as a long-termist. It strengthened the principal business by selecting the best contents to increase the quality of drama series and by flexibly controlling the broadcast rhythm, so as to adapt to the rapid changes in audience demand and the ever-growing appetite for high-quality content. During the Reporting Period, the Group has broadcast four high-quality drama series, namely *The Swimsuit Saga* (《乘風踏浪》), *In the Name of the Brother* (《哈爾濱一九四四》), *Lost Identity* (《孤戰迷城》) and *Love's Rebellion* (《四海重明》), which achieved positive broadcasting results and received favorable market feedback. As of December 31, 2024, the Group also had a pipeline of drama series with wide range of themes and genres to be broadcast and under preparation. As of the date of this report, *Drifting Away* (《漂白》), a contemporary criminal detective drama series directed by Cao Kai (曹凱), scripted by Chen Ping (陳枰), and starred by Guo Jingfei (郭京飛), Wang Qianyuan (王千源) and Zhao Jinmai (趙今麥) was broadcast on iQiyi on January 17, 2025. *The Trident 2* (《三叉戟2》), a police detective drama series directed by Liu Haibo (劉海波) and Cao Kai (曹凱), scripted by Shen Rong (沈嶸), Lv Zheng (呂錚) and Xiong Yuzhen (熊語真), and starred by Chen Jianbin (陳建斌), Dong Yong (董勇) and Hao Ping (郝平) was broadcast on iQiyi, and simultaneously broadcast on Beijing Satellite TV and Dragon TV via satellite on January 23, 2025. *Breaking the Shadows* (《烏雲之上》), a realistic mystery drama series directed by Hua Qing (花箐), scripted by Wang Bu (王不) and Yi Ying (一瑩), and starred by Sun Li (孫儷) and Luo Jin (羅晉) was broadcast on iQiyi on April 3, 2025, three of which achieved remarkable broadcasting results. Among them, *Drifting Away* (《漂白》) has broken 10,000 hits in six days of broadcasting at LIGHT LIGHT ON of iQiyi (愛奇藝迷霧劇場), becoming the first 10,000-hit drama at LIGHT LIGHT ON, and People's Daily Online commented that it has made"the value of the people's police guarding have a concrete image". Since the broadcast of *Breaking the Shadows* (《烏雲之上》), the popularity of the drama series on iQiyi has been continuously rising. As of April 7, 2025, the effective playback volume of the drama series across the entire network on Maoyan has exceeded 100 million, and it ranked second in terms of playback volume on April 7, 2025.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

During 2024, while the Group was pushing ahead with its own business, it has never left behind the fulfillment of corporate responsibilities. It continued to strengthen the construction and practice of environmental, social and governance ("**ESG**") management system, paid close attention to the compliance of corporate governance and business operation, enhanced the performance of corporate governance of the Group, laid a solid systemic foundation for the Group's future healthy and sustainable development, and strived for the organic compatibility between social and economic efficiency. At the "All Blossom • ESG She Power Conference (萬物生長 • ESG她力量峰會)" held in Hangzhou on April 25, 2024, the Group was honored with two awards, namely "ESG She Power Model Organization of the Year (年度ESG她力量榜樣機構)" and "ESG She Power Female Trailblazer of the Year (年度ESG她力量女性開拓者)". At the "Hong Kong Green and Sustainability Contribution Awards 2024 (香港綠色和可持續貢獻大獎2024)" held in Hong Kong on May 30, 2024, the Group was awarded the "ESG Connect Pioneer Star (Society – Mainland) (ESG Connect 先鋒星章（社會－內地）)" for its outstanding performance in proactive management and ESG practices. At the 14th Public Welfare Festival and 2024 ESG Impact Annual Conference held in Beijing on January 9, 2025, the Group, after obtaining the "2023 ESG Pioneer Enterprise Award (2023年度ESG先鋒企業獎)", was once again recognized by the relevant Jury and awarded the "2024 ESG Influence Special Award (2024年度ESG影響力特別獎)", and Ms. Zhai Fang, an executive director and the chief operating officer of the Group and a member of the ESG Committee, was honored with the "2024 ESG Pioneer Award (2024年度ESG先鋒人物獎)".

During the Reporting Period, while pragmatically strengthening its principal business, the Group has also continued to steadily explore and prudently participate in diversified options for monetization that are suitable for the Group. This served as a precursor to the subsequent commercial monetization of the Group's content, so as to promote diversification of the Group's revenue streams and, in turn, ongoing and healthy development in the future and the higher value of Shareholders.

In the future, the Group will continue to deepen the application of platform operation model, continuously insist on its development strategy of persevering in producing quality contents as a long-termist, actively put its green operation philosophy into practice, and cautiously and optimistically expand diversified realization channels, in an effort to build the content brand "STRAWBEAR ENTERTAINMENT" that centers on quality contents with contemporary influence.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

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

As of December 31, 2024, the Group has produced and/or distributed but yet to broadcast five TV series and four web series. The table below sets forth certain details of such drama series:

Name of the Drama Series	Genre	Director(s) and Major Cast Members	Role	Production Type	Status as of December 31, 2024	Expected Broadcasting Time
TV Series						
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	To be broadcast	2025
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	2025
Cat & Thief (《鬥賊》)	Crime	Gong Zhaohui (龔朝暉), Huang Jingyu (黃景瑜), Xiu Rui (修睿)	Production and distribution	Adaptation	Completed and under examination	2025
Drifting Away (《漂白》)	Crime	Cao Kai (曹凱), Guo Jingfei (郭京飛), Wang Qianyuan (王千源), Zhao Jinmai (趙今麥)	Production and distribution	Adaptation	Completed and under examination	2025
Breaking the Shadows (《烏雲之上》)	Crime	Hua Qing (花箐), Sun Li (孫儷), Luo Jin (羅晉)	Production and distribution	Original	Post-production	2025
Web Series						
Light My Way (《偷走他的心》)	Metropolitan	Wu Qiang (吳強), Ma Sichao (馬思超), Wan Peng (萬鵬)	Production and distribution	Adaptation	To be broadcast	2025
Win or Die (《夜不收》)	Period Military	Cao Dun (曹盾), Jing Boran (井柏然), Wu Xingjian (吳幸鍵), Zhang Yifan (張藝凡)	Production and distribution	Original	Completed and under examination	2025
What a Wonderful World (《在人間》)	Metropolitan	Xu Bing (徐兵), Zhao Liling (趙麗穎), Yin Fang (尹昉)	Production and distribution	Original	Post-production	2025
Move Heaven and Earth (《赴山海》)	New-style martial art	Ren Haitao (任海濤), Cheng Yi (成毅)	Production and distribution	Adaptation	Post-production	2025

BUSINESS REVIEW AND PROSPECTS (CONT'D)

The Group's Drama Series to be Broadcast and the Group's Pipeline Drama Series Projects (cont'd)

As of December 31, 2024, 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, 2024	Time of Public Record/Filing
TV Series				
The Wind Catcher (《捕風者》)	Modern Revolution	The Group	Pre-production	2023
Burning As Her (《再青春》)	Metropolitan	The Group	Under filming	2024
The Song of Youth (《青春之歌》)	Modern Revolution	The Group	Pre-production	2024
Web Series				
All Hands on Deck (《開工日記》)	Metropolitan	The Group	Pre-production	2023
Please Find Me in Your World (《請在你的世界發現我》)	Metropolitan	The Group	Pre-production	2023
A Sudden Love (《一場突如其來的愛情》)[1]	Romantic fantasy	The Group	Pre-production	2023
Legend of Gan Mo (《甘墨傳》)	Period fantasy	The Group	Pre-production	2024
A Nan (《阿南》)	Metropolitan romance	The Group	Pre-production	2024
Speed and Love (《雙軌》)	Metropolitan	The Group	Pre-production	2024

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 2024, the Group broadcast four drama series of various genres, including *The Swimsuit Saga* (《乘風踏浪》), a contemporary entrepreneurial comedy 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); *In the Name of the Brother* (《哈爾濱一九四四》), a period drama series about spy war 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); *Lost Identity* (《孤戰迷城》), a modern spy war drama series directed by Xie Ze (謝澤), scripted by Dai Jin (戴津) and Jiang Feng (蔣峰), and starred by Huang Jingyu (黃景瑜) and Xin Zhilei (辛芷蕾); and *Love's Rebellion* (《四海重明》), a fairy tale romance drama series directed by Wen Deguang (溫德光), scripted by Fang Qiangqiang (方羌羌), and starred by Jing Tian (景甜) and Zhang Linghe (張淩赫). The revenue generated from the Group's licensing of the broadcasting rights of drama series amounted to RMB1,124.1 million for the year ended December 31, 2024 as compared to RMB749.2 million for the year ended December 31, 2023. The increase in revenue from licensing of broadcasting rights of the drama series by the Group was mainly due to the corresponding increase in revenue per drama series broadcast by the Group, which was due to the adjustments in the themes and types of broadcast drama series, an increase in investment scale and a greater popularity of drama series.

[1] The name of the drama series *Say Bye to Wild Weasel* 《再見野鼬鼠》 had been changed to *A Sudden Love* 《一場突如其來的愛情》. The name of the drama series is subject to final approval of the NRTA. As of the date of this report, *A Sudden Love* 《一場突如其來的愛情》 was under filming.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Business Analysis by Business Line (cont'd)

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

The drama series broadcast by the Group in 2024 have all achieved good market reputation and broadcasting results. For example, *In the Name of the Brother* (《哈爾濱一九四四》) was highly anticipated by the market before broadcast and was honored with the "Most Expected Drama Series of 2024" of the Golden Pufferfish Awards (金河豚獎) at the CEIS 2024 China Entertainment Industry Annual Conference in January 2024. It has been co-broadcast on iQiyi, Dragon TV, Jiangsu TV and Beijing Radio & Television Station since April 21, 2024, which was the first commercial drama co-broadcast on three major satellite TV channels in recent years. It even broke a number of records during the period of broadcasting, with its hits peaking at 9,350 on iQiyi, a new hits record on the first day of broadcasting on iQiyi in 2024 and the fastest hits record of exceeding 8,500 on iQiyi in 2024, ranking Top 1 of iQiyi Hits (愛奇藝熱播榜), Top 1 of iQiyi Drama Series Hits (愛奇藝電視劇熱播榜), Top 1 of iQiyi Drama Series Rising (愛奇藝電視劇飇升榜), and Top 1 of iQiyi Mystery Drama Series (愛奇藝電視劇懸疑榜). *Love's Rebellion* (《四海重明》) was broadcast on iQiyi on August 1, 2024. It has been ranked Top 1 in romance TV drama (電視劇愛情榜) and Top 2 on period TV drama (電視劇古裝榜) on iQIYI, Top 1 on iQiyi's most sought TV series in 13 overseas countries and regions, Top 1 in hit topic TV series (話題熱搜榜) and Top 2 in most sought TV series (電視劇熱搜榜) on Mango TV for a number of times during the broadcast period and has also ranked among the top on a number of ranking lists in most influential drama series on Weibo (微博劇集影響力榜) and in real-time popular TV drama on Douban.

As of December 31, 2024, the Group has a number of high-quality and diverse drama series to be broadcast or under preparation. These include *Cat & Thief* (《鬥賊》), a crime comedy 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); *Breaking the Shadows* (《烏雲之上》), a realistic mystery drama series directed by Hua Qing (花箐), scripted by Wang Bu (王不) and Yi Ying (一瑩), and starred by Sun Li (孫儷) and Luo Jin (羅晉) (which was broadcast on iQiyi on April 3, 2025); *Win or Die* (《夜不收》), an ancient military drama series directed by Cao Dun (曹盾), co-scripted by Gong Xue (鞏雪), Zhao Cong (趙聰), Wang Shilong (王士龍) and Pang Sanjing (胖三井), and starred by Jing Boran (井柏然), Wu Xingjian (吳幸鍵) and Zhang Yifan (張藝凡); *What a Wonderful World* (《在人間》), a metropolitan drama series directed and scripted by Xu Bing (徐兵) and starred by Zhao Liying (趙麗穎) and Yin Fang (尹昉); *Drifting Away* (《漂白》), a crime drama series directed by Cao Kai (曹凱), scripted by Chen Ping (陳枰), and starred by Guo Jingfei (郭京飛), Wang Qianyuan (王千源) and Zhao Jinmai (趙今麥) (which was broadcast on iQiyi on January 17, 2025); and *The Trident 2* (《三叉戟2》), a police detective drama series directed by Liu Haibo (劉海波) and Cao Kai (曹凱), scripted by Shen Rong (沈嵘), Lv Zheng (呂錚) and Xiong Yuzhen (熊語真), and starred by Chen Jianbin (陳建斌), Dong Yong (董勇) and Hao Ping (郝平) (which was broadcast on January 23, 2025).

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

For the year ended December 31, 2023, the Group generated revenue of approximately RMB83.6 million from made-to-order drama series production. For the year ended December 31, 2024, the Group did not generate revenue from made-to-order drama series production as the Group did not deliver made-to-order drama series to customers for the year ended December 31, 2024, and the Group's made-to-order drama series were also not broadcast during this period.

(iii) Others

The Group's other business primarily refers to the provision of script-based role play game services and the artist agency services for the year ended December 31, 2024, while the Group's other business primarily includes transfer of IP copyrights held by the Group to independent third parties for the year ended December 31, 2023.

OUTLOOK

Looking ahead to 2025, the Group will continue to practice and continuously optimize platform-based operational model, adhering to the long-term principle of high-quality content, and focus on creating and exporting high-quality drama series to the audience, consolidating its position as a leading enterprise in the film and television industry by adopting the development strategy of "integration, series development, and rejuvenation (集大成・鑄系列・煥新生)"; strengthening the management of IP operation, adhering to the equal emphasis on original creation of high-quality products and IP development, optimizing the structure of products, enriching the genres of films and television, and improving the quality of production works to provide source power for the export of high-quality content and continuously consolidate its advantages in the film and television industry; following the trend of green operation development, continuously improve our ESG practical level, promoting green and sustainable development, and progressively achieve the unification of the Group's economic and social benefits, so as to contribute towards the realization of the ESG "Dual Carbon" goal; and actively explore and expand diversified realization channels in a prudent and optimistic manner, dig deep into the film and television ecosystems, and proactively lay out diversified tracks that have a synergistic effect on the Group's business, so as to revitalize and strengthen the Group's industrial segment, promote the commercial realization of high-quality content and facilitate the Group's long-term and stable development.

In 2025, the Group will continue to strengthen its confidence and work hard. Under the leadership of the Board, the management will lead all staff to strive together in innovation and transformation, integration and collaboration, ownership and accountability, truth-seeking and pragmatism, and strive to write a new chapter of the Group's high-quality development by relying on pragmatic work to create practical results.

2024 FINANCIAL REVIEW

Consolidated statement of profit or loss

	Year ended December 31,	
	2023	**2024**
	RMB in thousands	
REVENUE	840,663	**1,124,537**
Cost of sales	(777,406)	**(973,067)**
Gross profit	63,257	**151,470**
Other income and gains	15,569	**13,346**
Selling and distribution expenses	(56,698)	**(39,252)**
Administrative expenses	(102,239)	**(79,014)**
Impairment of financial assets, net	(23,510)	**(14,677)**
Other expenses	(778)	**(2,493)**
Finance costs	(14,248)	**(14,088)**
Share of profits and losses of joint ventures	(452)	**(235)**
Share of profits and losses of associates	1,613	**(748)**
(LOSS)/PROFIT BEFORE TAX	(117,486)	**14,309**
Income tax credit/(expense)	9,977	**(17,269)**
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(107,509)	**(2,960)**
Attributable to:		
Owners of the parent	(109,307)	**(2,124)**
Non-controlling interests	1,798	**(836)**
	(107,509)	**(2,960)**
NON-HKFRS MEASURE[1]:		
Adjusted net (loss)/profit[2]	(88,089)	**12,224**

2024 FINANCIAL REVIEW (CONT'D)

Consolidated statement of profit or loss (cont'd)

Notes:

(1) 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 year to year 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.

(2) The Group defines adjusted net (loss)/profit as loss 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.

Revenue by Business Line

The Group's revenue increased from approximately RMB840.7 million for the year ended December 31, 2023 to approximately RMB1,124.5 million for the year ended December 31, 2024, primarily attributable to the corresponding increase in revenue per drama series broadcast by the Group, which was due to the adjustments in the themes and types of broadcast drama series, an increase in investment scale and a greater popularity of drama series.

	Year ended December 31,			
	2023		**2024**	
	(RMB in thousands, except gross profit margin)			
Licensing of the broadcasting rights of drama series	749,233	89.1%	**1,124,141**	**100.0%**
Made-to-order drama series production	83,647	10.0%	**–**	**–**
Others	7,783	0.9%	**396**	**0.0%**
Total	840,663	100.0%	**1,124,537**	**100.0%**

2024 FINANCIAL REVIEW (CONT'D)

Revenue by Business Line (cont'd)

Licensing of the broadcasting rights of drama series

The Group's revenue generated from licensing of the broadcasting rights of drama series increased from approximately RMB749.2 million for the year ended December 31, 2023 to approximately RMB1,124.1 million for the year ended December 31, 2024, primarily due to the corresponding increase in revenue per drama series broadcast by the Group, which was due to the adjustments in the themes and types of broadcast drama series, an increase in investment scale and a greater popularity of drama series.

Made-to-order drama series production

The Group's revenue generated from production of made-to-order drama series was approximately RMB83.6 million for the year ended December 31, 2023. For the year ended December 31, 2024, the Group did not recognize revenue from made-to-order drama series production as no made-to-order drama series was delivered to customers for the year ended December 31, 2024.

Others

Others primarily comprise revenue from the provision of script-based role play game services and the artist agency services for the year ended December 31, 2024, while the others primarily comprise revenue from the assignment fee received from the copyright of an IP license for the year ended December 31, 2023.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 139.5% from approximately RMB63.3 million for the year ended December 31, 2023 to approximately RMB151.5 million for the year ended December 31, 2024. The Group's gross profit margin increase to 13.5% for the year ended December 31, 2024 from 7.5% for the year ended December 31, 2023, primarily attribute to the increase in the Group's revenue without a proportionate increase in operating costs. The increase in revenue of the Group was attributable to the corresponding increase in revenue per drama series broadcast by the Group, which was due to the adjustments in the themes and types of broadcast drama series, an increase in investment scale and a greater popularity of drama series.

The following table sets forth the Group's gross profit and gross profit margin by business line in 2023 and 2024:

	Year ended December 31,			
	2023		**2024**	
	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%	**152,111**	**13.5%**
Made-to-order drama series production	13,715	16.4%	**–**	**–**
Others	1,791	23.0%	**(641)**	**(161.9)%**
Total	63,257	7.5%	**151,470**	**13.5%**

2024 FINANCIAL REVIEW (CONT'D)

Other Income and Gains

Other income and gains decreased by 14.3% or approximately RMB2.3 million from approximately RMB15.6 million for the year ended December 31, 2023 to approximately RMB13.3 million for the year ended December 31, 2024. This was primarily attributable to (i) the decrease in interest income from loans receivable of RMB2.7 million; (ii) the decrease in government grant of RMB0.5 million; and partially offset by (iii) the increase in penalty income from contracts of RMB1.5 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 30.8% to approximately RMB39.3 million for the year ended December 31, 2024 from approximately RMB56.7 million for the year ended December 31, 2023, resulting from a proper reduced commitment in selling and distribution according to the greater popularity of drama series broadcast.

Administrative Expenses

The Group's administrative expenses decreased by 22.7% to approximately RMB79.0 million for the year ended December 31, 2024 from approximately RMB102.2 million for the year ended December 31, 2023, primarily due to the decrease of the effect of 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 loss of financial assets, net decreased by 37.6% to approximately RMB14.7 million for the year ended December 31, 2024 from approximately RMB23.5 million for the year ended December 31, 2023, primarily attribute to the decrease in the impairment of trade receivables, net of approximately RMB30.5 million; and partially offset by the increase in the impairment of other receivables, net of approximately RMB21.7 million.

For further details of the impairment of financial assets, net, please refer to the Notes 6, 20, 21 and 34(b) to the financial statements.

Other Expenses

The Group's other expenses increased by 220.4% to approximately RMB2.5 million for the year ended December 31, 2024 from approximately RMB0.8 million for the year ended December 31, 2023, resulting from the losses on changes in fair value loss of financial assets measured at fair value through profit or loss.

Finance Costs

The Group's finance costs decreased by 1.1% from RMB14.2 million for the year ended December 31, 2023 to RMB14.1 million for the year ended December 31, 2024.

Income Tax Credit/(Expense)

The Group recorded an income tax expense of approximately RMB17.3 million for the year ended December 31, 2024 as compared to an income tax credit of approximately RMB10.0 million for the year ended December 31, 2023, primarily due to (i) the decrease of deferred tax credit which were impacted by the provisions for impairment of relevant assets with signs of impairment; and (ii) the increase in taxable profit made in 2024.

2024 FINANCIAL REVIEW (CONT'D)

Non-HKFRS Measure

To supplement its historical financial information which are presented in accordance with HKFRS, the Group also uses adjusted net (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 year to year 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 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 for the year:

	Year ended December 31,	
	2023	**2024**
	(RMB in thousands)	
Reconciliation of net loss to adjusted net (loss)/profit Net loss for the year	(107,509)	**(2,960)**
Add: Equity-settled share award expense	19,420	**15,184**
Adjusted net (loss)/profit (non-HKFRS measure)	(88,089)	**12,224**

FINANCIAL POSITION

	Year ended December 31,	
	2023	2024
	(RMB in thousands)	
Total non-current assets	164,330	**170,748**
Total current assets	2,419,298	**2,493,416**
Total current liabilities	810,262	**901,524**
Net Current assets	1,609,036	**1,591,892**
Total non-current liabilities	34,048	**9,299**
Total equity	1,739,318	**1,753,341**

Inventories

	Year ended December 31,	
	2023	2024
	(RMB in thousands)	
Raw materials	220,144	**303,533**
Work in progress	682,032	**615,401**
Finished goods	406,305	**314,100**
Total	1,308,481	**1,233,034**

The Group's inventories decreased by 5.8% to approximately RMB1,233.0 million as of December 31, 2024 from approximately RMB1,308.5 million as of December 31, 2023, primarily due to (i) the decrease in finished goods of approximately RMB92.2 million since the Group broadcast several drama series in 2024, such as *The Swimsuit Saga* (《乘風踏浪》), *Name of the Brother* (《哈爾濱一九四四》), *Lost Identity* (《孤戰迷城》) and *Love's Rebellion* (《四海重明》); and partially offset by (ii) the increase in raw materials of RMB83.4 million as the Group acquired more premium IPs in 2024.

Trade and Notes Receivables

The Group's trade receivables increased by 22.6% to approximately RMB679.9 million as of December 31, 2024 from approximately RMB554.6 million as of December 31, 2023, primarily due to the increase in trade receivables of approximately RMB616.5 million for drama series broadcast in 2024, and partially offset by the decrease in trade receivables of approximately RMB491.2 million for drama series broadcast in previous years.

As of December 31, 2023 and 2024, the Group made provisions for impairment of trade receivables of approximately RMB41.1 million and RMB33.0 million, respectively, which the Group believes were sufficient as of the end of each year.

The Group's notes receivable decreased from approximately RMB40.7 million as of December 31, 2023 to approximately RMB1.0 million as of December 31, 2024, primarily due to the decrease in notes receivable received as licensing fees of *You are Desire* (《白日夢我》) broadcast in 2023.

FINANCIAL POSITION (CONT'D)

Prepayments, Other Receivables and Other Assets

The Group's prepayments, other receivables and other assets increased by 38.7% to approximately RMB466.3 million as of December 31, 2024 from approximately RMB336.2 million as of December 31, 2023, primarily attributable to the increase in prepayments for drama series of approximately RMB123.0 million, since the Group had more drama series that were entered into the pre-production stage as of December 31, 2024 than that in 2023.

As of December 31, 2023 and 2024, the Group made provisions for impairment of other receivables of approximately RMB7.8 million and approximately RMB30.4 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, 2024 and December 31, 2023.

Trade Payables

The Group's trade payables decreased by 10.6% from approximately RMB300.8 million as of December 31, 2023 to approximately RMB268.8 million as of December 31, 2024, primarily due to the settlement of trade payables.

Other Payables and Accruals

The Group's other payables and accruals increased by 42.1% to approximately RMB318.8 million as of December 31, 2024 from approximately RMB224.4 million as of December 31, 2023, primarily due to the increase in contract liabilities of approximately RMB71.6 million from approximately RMB215.5 million as of December 31, 2023 as a result of the increase in advances from customers for *Move Heaven and Earth* (《赴山海》).

DIVIDENDS

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2024.

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, 2024, the Company had 706,041,400 ordinary shares of US$0.000025 each.

On May 14, 2024, 5,647,200 new Shares, representing approximately 0.80% of the total number of Shares in issue of the Company as of the date of this report, were allotted and issued upon the exercise of share options by a Director under the Pre-IPO Share Option Scheme. For details, please refer to the announcement of the Company dated May 14, 2024. There has been no movement in the issued Shares of the Company since then.

The Company maintained a healthy financial position in 2024. The Group's total assets increased from approximately RMB2,583.6 million as of December 31, 2023 to approximately RMB2,664.2 million as of December 31, 2024, whilst the Group's total liabilities increased from approximately RMB844.3 million as of December 31, 2023 to approximately RMB910.8 million as of December 31, 2024. The Group's liabilities-to-assets ratio increased from 32.7% as of December 31, 2023 to 34.2% as of December 31, 2024.

Historically, the Group financed its capital expenditure and working capital requirements mainly through cash generated from operations, bank borrowings, net proceeds received from the global offering and capital contributions from Shareholders. As of December 31, 2024, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounting to approximately RMB1,591.9 million and approximately RMB79.3 million, respectively, as compared to approximately RMB1,609.0 million and approximately RMB154.4 million, respectively, as of December 31, 2023.

As of December 31, 2024, 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 borrowings and the net proceeds received from the global offering of the Company.

As of December 31, 2024, the Group's total interest-bearing bank borrowings were approximately RMB283.3 million, all of which were at fixed interest rate and denominated in RMB.

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

Contingent Liabilities

As of December 31, 2024, the Group did not have any significant contingent liabilities.

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

Capital Expenditure

The Group's capital expenditures primarily included purchase of property, plant and equipment. The Group's capital expenditures decreased to approximately RMB1.9 million in 2024 from approximately RMB2.4 million in 2023. The Group plans to fund its planned capital expenditures using cash generated from operations as well as the net proceeds from the global offering.

Financial Ratios

Return on Equity

The Group's return on equity increased from (6.0)% for the year ended December 31, 2023 to (0.2)% for the year ended December 31, 2024, primarily due to the decrease in losses in 2024.

Return on Assets

The Group's return on assets increased from (4.2)% for the year ended December 31, 2023 to (0.1)% for the year ended December 31, 2024, primarily due to the decrease in losses in 2024.

Current Ratio

The Group's current ratio decreased from 2.99 for the year ended December 31, 2023 to 2.77 for the year ended December 31, 2024, primarily because the increase in its current liabilities outpaced the increase in its current assets from 2023 to 2024.

Debt to Equity Ratio[1]

The Group's debt to equity ratio increased from 9.2% for the year ended December 31, 2023 to 12.0% for the year ended December 31, 2024.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

On July 23, 2024, Nanjing Strawbear entered into a partnership interests transfer agreement with Xiamen Tuhui Investment Partnership (Limited Partnership) (廈門市圖慧投資合夥企業（有限合夥）) ("**Tuhui Investment**"), pursuant to which Nanjing Strawbear agreed to acquire and Tuhui Investment agreed to transfer the limited partnership interests in Hexie Yuanda (Yixing) Cultural Industry Investment Fund (Limited Partnership) (和諧遠達（宜興）文化產業投資基金（有限合夥）) (the "**Fund**"), represented by a capital commitment of RMB30 million at nil consideration. For details of the acquisition of limited partnership interests in the Fund, please refer to the announcement of the Company dated July 23, 2024. As of the date of this report, the capital commitment of RMB30 million in relation to the limited partnership interests has been paid by the Company.

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2024. As of December 31, 2024, the Group did not hold any significant investments.

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

USE OF PROCEEDS FROM THE 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 had 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 fund the production of *Cat & Thief* (《鬥賊》), *The Swimsuit Saga* (《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 had 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 "**First UOP Announcement**").

On October 18, 2024, the Board had further resolved to change the use of the remaining Net Proceeds of approximately HK$107.1 million (representing approximately 10.0% of the Net Proceeds) which were originally intended to be used for 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. Considering that (i) no suitable investment or acquisition target 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, which is influenced by its asset value, the Group's expected return on investment and many other factors and (ii) the rapid and unforeseen changes in the market and industry environment, the Group intends to change the use of the remaining Net Proceeds as "funding potential investment in, or merger and acquisition of, companies, businesses and assets that may enhance the Group's market position and ramp up the Group's drama series development, production and distribution, as well as investment in funds related to content products development, production and distribution and funds focusing on pan-entertainment industry", so as to better utilise its financial resources, capture more favorable investment opportunities and maintain maximum flexibility in order to adapt to the ever-changing market conditions and industry environment. For details, please refer to the announcement of the Company dated October 18, 2024 (the "**Second UOP Announcement**", together with the First UOP Announcement, the "**Announcements**").

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

The following table sets out (i) the original allocation of Net Proceeds as set out in the Prospectus; (ii) the revised allocation of the unutilised Net Proceeds as set out in the Announcements; (iii) the utilised amount of Net Proceeds during the year ended December 31, 2024; (iv) the utilised and unutilised amount of Net Proceeds as of December 31, 2024; 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, 2024 HK$ in million	Utilised amount of Net Proceeds as of December 31, 2024 HK$ in million	Unutilised amount of Net Proceeds as of December 31, 2024 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, businesses and assets that may enhance the Group's market position and ramp up the Group's drama series development, production and distribution, as well as investment in funds related to content products development, production and distribution and funds focusing on pan-entertainment industry	107.1	107.1	27.5	27.5	79.6	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	–	107.1	–	–
Working capital and general corporate purposes	107.1	107.1	–	107.1	–	–
Total	**1,071.1**	**1,071.1**	**27.5**	**991.5**	**79.6**	

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.

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

As of December 31, 2024, the Group has utilised Net Proceeds of HK$991.5 million in accordance with the intended purposes set out in the Prospectus and the Announcements. The remaining Net Proceeds were deposited in banks as of the date of this report. The Group will gradually utilise the remaining Net Proceeds in accordance with the intended purposes set out in the Prospectus and the Announcements.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

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

MATERIAL LITIGATION

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

PLEDGE OF ASSETS

As of December 31, 2024, the Group's trade receivables, which had an aggregate net carrying value of approximately RMB172,600,000 (2023: RMB5,200,000), the short-term deposits amounting to RMB92,289,000 (2023: RMB62,778,000) were pledged to secure the interest-bearing bank 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 recognized and creditworthy third parties. Receivable balances are monitored on an on-going basis.

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

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

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

FINANCIAL RISKS (CONT'D)

Liquidity Risk

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

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

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2024, the Group had 77 employees, including 25 based in Jiangsu Province, 40 based in Beijing, 2 based in Shanghai, 5 based in Zhejiang Province and 5 based in Hainan Province. The following table shows a breakdown of the employees by function as of December 31, 2024:

Functions	Number of Employees	% of Total Employees
Management	2	2.6%
Development Strategic Management	6	7.8%
Operation and Project Coordination	12	15.6%
Production	3	3.9%
IP Development	4	5.2%
Business Operation	3	3.9%
Production Management	8	10.4%
Financing and Investment	2	2.6%
Distribution	4	5.2%
Casting and Talents Management	1	1.3%
Marketing and Promotion	3	3.9%
Government Affairs	1	1.3%
Finance and Legal	15	19.5%
Corporate Compliance	2	2.6%
Human Resources and Administrative	10	13.0%
Overseas Development	1	1.3%
Total	**77**	**100.0%**

For the year ended December 31, 2024, total staff remuneration expenses (including Directors' remuneration) amounted to approximately RMB41.4 million, as compared to approximately RMB44.5 million for the same period in 2023. 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.

EMPLOYEES AND REMUNERATION POLICIES (CONT'D)

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

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.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, no significant event that might affect the Group occurred after the Reporting Period.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Liu Xiaofeng (劉小楓), aged 47, is an executive Director, the Chairman, the chairman of the Environmental, Social and Governance Committee, a member of each of the Remuneration Committee and the Nomination Committee, and the chief executive officer of the Company. Mr. Liu joined the Group in June 2014 and is primarily responsible for the overall corporate and business strategies and overseeing the management and operation of the Group.

With approximately 20 years of experience in media industry, Mr. Liu has gained an in-depth understanding of production and distribution of TV series and acquired rich management experience by managing the Group and developing its business. Mr. Liu founded the Group in June 2014 and has been the chief executive officer of the Group since then. Prior to the foundation of the Group, Mr. Liu worked in a number of well recognised media companies focusing on production and distribution of TV series. Mr. Liu served as the director of Phoenix Legend Films Co., Ltd. (鳳凰傳奇影業有限公司), a leading multimedia company focusing on investment, production and distribution of films and TV series, from October 2010 to June 2014. Prior to that, Mr. Liu served as the general manager of Nanjing Legend Image Co., Ltd. (南京傳奇影業有限公司). From 2003 to 2006, Mr. Liu worked as the deputy general manager of Jiangsu Langtaosha Pictures Co., Ltd. (江蘇省浪淘沙影業有限公司). Mr. Liu started his career as a reporter in July 2000 and subsequently served as a director of variety shows at Jiangsu Television (江蘇電視台) until July 2003.

Mr. Liu has profound influence in the drama series industry, evidenced by more than 30 drama series with over 1,600 episodes he has produced and distributed, some of which won the annual viewership rating champions of various TV channels, such as *Legend Of Zu Mountain* (《蜀山戰紀之劍俠傳奇》) and *Second Time Is A Charm* (《第二次也很美》). He is also the first to initiate the "Online first, TV next (先網後台)" broadcasting model which introduced a new broadcasting arrangement among distribution channels. Attributable to his deep understanding and accurate prediction of the future trends of the drama series industry in the PRC, Mr. Liu is a first-mover in cooperation with online video platforms, thereby having seised the opportunities brought by the rise of such platforms. He is also the first to adopt the platform business model to integrate premium industry resources to ensure the Group's rapid and sustainable growth. Mr. Liu is a member of China Television Artists Association (中國電視藝術家協會), a member of Netcasting Exchange Service Committee of China National Film and Television Art Development Promotion Association (中國民族影視藝術發展促進會網絡視聽交流服務委員會), a council member of Jiangsu Provincial Television Artists Association (江蘇省電視藝術家協會) and the vice president of Film and Television Artists Association of Nanjing City (南京市電影電視藝術家協會). Mr. Liu is recognised and cultivated as one of the Leading Talents (領軍人才) of Year 2020 in Field of National Radio, Television and Network Audio-visual Industry (全國廣播電視和網絡視聽行業) and was awarded the "Top 10 Drama Producers in a Decade (十年十傳劇集人)" of the CEIS 2024 Golden Pufferfish Awards. Mr. Liu was recognized as the "Inclusion China" Person of the Year for industry contribution (「融合中國」年度貢獻力人物) in the 2024 All-Media Information Industry Innovation Conference and "Inclusion China" Promotion Ceremony for Outstanding Radio, Film and Television Projects held in Ningbo on April 14, 2024 and received the "Dramatist of the Year (年度劇集人)" award in the CEIS 2025 China Entertainment Industry Annual Conference and Golden Pufferfish Honors Selection Event (CEIS 2025中國娛樂產業年會暨金河豚榮譽推選活動) held in Beijing on January 9, 2025. Mr. Liu graduated from Nanjing University (南京大學) in June 1997 and obtained his bachelor's degree in market information management.

Mr. Liu has not held directorship in any other listed company in the three years immediately preceding the date of this report.

DIRECTORS (CONT'D)

Executive Directors (cont'd)

Mr. Chen Chen (陳晨), aged 42, was an executive Director and the chief financial officer of the Company. Mr. Chen retired as an executive Director with effect from June 12, 2024. Mr. Chen joined the Group in November 2014 and was primarily responsible for overseeing the financial operation and risk management and taking charge of departments of accounting, administration and government affairs of the Group.

Mr. Chen has more than 10 years of experience in financial management. Since November 2014, he has been the chief financial officer of Jiangsu Strawbear where he has accumulated knowledge and skills required in overseeing the financial management of the Group. Prior to joining the Group, Mr. Chen served as the head of financial department of Phoenix Legend Films Co., Ltd. (鳳凰傳奇影業有限公司) from September 2012 to July 2014, responsible for its accounting and financial management. From July 2009 to September 2012, he served as an accountant in the financial department of Nanjing Branch of Jiangsu Broadcasting Cable Information Network Corporation Limited (江蘇省廣電有線信息網絡股份有限公司南京分公司). Mr. Chen started his career at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所) where he was trained as an auditor from August 2007 to June 2009.

Mr. Chen obtained a bachelor's degree in financial management from Nanjing University (南京大學) in June 2004, and a master's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in January 2007. Mr. Chen was accredited as an accountant (會計師) by Nanjing Professional Title (Professional Qualification) Leading Group (南京市職稱(職業資格)工作領導小組) in March 2011 and was recognised and cultivated as one of The First Class of Nanjing High-level Accounting Talents (南京市首期高層次會計人才) by Nanjing Municipal Bureau of Finance (南京市財政局) and Beijing National Accounting Institute (北京國家會計學院) in November 2013. Mr. Chen was also recognised as one of the Distinguished Young Talents (青年創新人才) at Jiangsu Radio, Television and Network Audio-visual industry (江蘇省廣播電視和網絡視聽行業) of Year 2020. Mr. Chen is also a member of Jiangsu Provincial Television Artists Association (江蘇省電視藝術家協會) and Nanjing Film and Television Artists Association (南京市電影電視動漫藝術家協會).

Mr. Chen has not held directorship in any other listed company in the three years immediately preceding the date of this report.

DIRECTORS (CONT'D)

Executive Directors (cont'd)

Ms. Zhai Fang (翟芳), aged 47, is an executive Director, a member of the Environmental, Social and Governance Committee, the chief operating officer and a joint company secretary of the Company. Ms. Zhai joined the Group in March 2017 and is primarily responsible for assisting in the daily operation and management and taking charge of the capital operation including investment and financing of the Group.

Ms. Zhai has approximately 20 years of experience in equity investment and management. Since March 2017, she has been the chief operating officer of Jiangsu Strawbear and is responsible for capital operation including investment and financing. Prior to joining the Group, Ms. Zhai served as the vice president of strategic investment of China Allied Shengshi Culture (Beijing) Co., Ltd. (中聯盛世文化（北京）有限公司), a subsidiary of Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司) (stock codes: 1060.HK and S91.SGX), from January 2016 to December 2016, responsible for its strategic investment and financing. In April 2012, she joined Shanghai Fosun Capital Investment Management Co., Ltd. (上海復星創富投資管理有限公司), a leading investment firm under Fosun International Limited (復星國際有限公司) (stock code: 0656.HK), responsible for equity investment in consumer and entertainment sectors as assistant president and was appointed as executive general manager in April 2013. Before that, she was engaged in management work at Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司) from September 2009 to April 2012.

At the "All Blossom • ESG She Power Conference (萬物生長 • ESG她力量峰會)" held in Hangzhou on April 25, 2024, Ms. Zhai was honored with the "ESG She Power Female Trailblazer of the Year (年度ESG她力量女性開拓者)" award. She was also honored with "2024 ESG Pioneer Award (2024年度ESG先鋒人物獎)" in the 14th Philanthropy Festival and 2024 ESG Summit (第十四屆公益節暨2024ESG影響力年會) held in Beijing on January 9, 2025. Ms. Zhai obtained a master's degree in financial development from Shanghai Academy of Social Sciences (上海社會科學院) in June 2008, and an executive master of business administration's degree conferred jointly by Columbia University, London Business School and The University of Hong Kong in 2017.

Ms. Zhai has not held directorship in any other listed company in the three years immediately preceding the date of this report.

Non-executive Directors

Mr. Wang Xiaohui (王曉暉), aged 56, is a non-executive Director. Mr. Wang Xiaohui joined the Group in November 2018 and is primarily responsible for providing strategic advice and making recommendations on financial management and business development to the Board.

Mr. Wang Xiaohui joined the Group in November 2018 and has been one of its Directors since then. Mr. Wang has approximately 30 years of experience in journalism and content business. Mr. Wang joined iQIYI (stock code: IQ. NASDAQ) in August 2016 as the chief content officer, primarily responsible for the procurement, production and operations of content business. Prior to joining iQIYI, Mr. Wang served in various positions at China National Radio (中央人民廣播電台), including the director of news comment department of news centre from March 2000 to October 2001, the director of news department of news centre from October 2001 to March 2002, the director of news program centre from March 2002 to November 2003, the deputy director of Voice of China from November 2003 to June 2006, the director of finance office from June 2006 to September 2007, and the vice president from September 2007 to June 2016.

DIRECTORS (CONT'D)

Non-executive Directors (cont'd)

Mr. Wang Xiaohui's expertise in journalism and content business is highly recognised nationwide, evidenced by numerous honors and awards he received, including, among others, the 11th Changjiang Taofen Award (長江韜奮獎) awarded to him by the All-China Journalists Association (中華全國新聞工作者協會) in November 2010, which is recognised as one of top journalism accolades in China.

Mr. Wang obtained his Bachelor of Arts degree from Jilin University (吉林大學) in July 1990, an EMBA degree from Cheung Kong Graduate School of Business (長江商學院) in September 2013 and a Ph.D. in radio and television journalism from the Communication University of China (中國傳媒大學) in June 2012.

As of the date of this report, Mr. Wang held directorships in certain companies engaging in producing and/or distributing drama series, including Horgos Eternity Pictures Co., Ltd. (霍爾果斯萬年影業有限公司), Beijing Huaxi Taihe Film Co., Ltd. (北京華熙泰和影視有限公司), Beijing Haidong Mingri Film Culture Communication Co., Ltd. (北京海東明日影視文化傳播有限公司), Beijing Chinese Miracle Culture Technology Co., Ltd. (北京中文奇蹟文化科技有限公司), Dongyang Liubai Film Culture Co., Ltd. (東陽留白影視文化有限公司), Hainan Huoyubai Film Culture Media Co., Ltd. (海南火羽白影視文化傳媒有限公司), Xiamen Taiyang Mingshan Film Culture Co., Ltd. (廈門泰洋明山影視文化有限公司), Beijing Xinliliang Film Culture Co., Ltd. (北京新力量影視文化有限公司) and Beijing Wannian Mandao Cultural Media Co., Ltd. (北京萬年漫道文化傳媒有限公司). Mr. Wang was not involved in the daily management and operation of the Company and the aforementioned companies. As such, the directorship held by Mr. Wang would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

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

Ms. Liu Fan (劉帆), aged 38, is a non-executive Director and a member of the Audit Committee. Ms. Liu Fan joined the Group in April 2022, and is primarily responsible for providing strategic advice and making recommendations on financial management and business development to the Board.

Ms. Liu Fan joined the Group in April 2022, and has been one of its Directors since then. Ms. Liu has extensive experience in investment banking and secondary market investment and research and had held various high-level positions in well-known listed companies, investment banks and asset management institutions. Ms. Liu joined iQIYI (stock code: IQ. NASDAQ) in October 2020 as the general manager of development strategy and investment department, primarily responsible for the strategic planning and investment and financing of iQIYI. Prior to that, she served as a vice president at Neuberger Berman from April 2018 to March 2020, primarily responsible for the investment research of China's Internet and education industry. From July 2011 to March 2018, Ms. Liu worked at The Goldman Sachs Group, Inc. with her last position being the executive director of global investment research department, primarily responsible for the investment research of China's Internet and education industry.

Ms. Liu obtained a bachelor's degree in electronic commerce from Beijing Normal University (北京師範大學) in July 2009 and a master's degree in enterprise management from Peking University (北京大學) in July 2011. Ms. Liu has been as a chartered financial analyst by the Chartered Financial Analyst Institute since July 2015.

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

DIRECTORS (CONT'D)

Independent Non-executive Directors

Mr. Ma Zhongjun (馬中駿), aged 67, was appointed on December 18, 2020 as an independent non-executive Director, the chairman of Remuneration Committee and the chairman of Nomination Committee. Mr. Ma joined the Group in December 2020 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Ma is a first-degree state screenwriter and celebrated producer and has extensive experience in the film and television industry. Mr. Ma joined Ciwen Media Co., Ltd. (慈文傳媒股份有限公司) (stock code: 002343.SZ) in 2000 and has served in various portions, including the chairman of the board and general manager from September 2015 to May 2019 and the chief content officer since May 2019.

Mr. Ma's expertise in film and television industry is highly recognised nationwide, evidenced by numerous honors and awards he received, including, among others, the China Creative Industry Leader Award (中國創意產業領軍人物獎) by the sixth Annual Award of China's Creative Industry (第六屆中國創意產業年度大獎) in 2011, the Network Audio Visual Annual Content Innovation Figure Award (網絡視聽年度內容創新人物獎) by the fifth China Network Audio Visual Conference (第五屆中國網絡視聽大會) in 2017 and the "Top 10 TV Series Producers of the 12th TV Production Industry Award (第十二屆電視製片業十佳電視劇出品人)" by China Federation of Radio and Television Associations (中國廣播電影電視社會組織聯合會) in 2019. Mr. Ma is the vice chairman of Film and Television Production Committee of China Radio and Television Association (中國廣播電視協會電視製片委員會). He once studied at the advanced screenplay class jointly held by Shanghai Theatre Academy (上海戲劇學院) and Shanghai Labor Union (上海總工會).

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

Mr. Zhang Senquan (張森泉) (formerly known as Zhang Min (**張敏**)), aged 48, was appointed on December 18, 2020 as an independent non-executive Director. He is also the chairman of the Audit Committee and a member of the Environmental, Social and Governance Committee. Mr. Zhang joined the Group in December 2020 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Zhang Senquan has over 12 years of professional experience in accounting and auditing. He worked for Ernst & Young Hua Ming (安永華明會計師事務所) from February 2008 to November 2012, last position as partner, for KPMG Huazhen (畢馬威華振會計師事務所) from November 2000 to February 2008, last position as senior manager and for Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所) from October 1999 to October 2000 as auditor.

Mr. Zhang is currently an independent non-executive director of various listed companies, including Chenqi Technology Limited (如祺出行科技有限公司) (stock code: 9680.HK), TYK Medicines, Inc (浙江同源康醫藥股份有限公司) (stock code: 2410.HK) and Natural Food International Holding Limited (五谷磨房食品國際控股有限公司) (stock code: 1837.HK). Mr. Zhang is also the company secretary of China General Education Group Limited (中國通才教育集團有限公司) (stock code: 2175.HK) and Guanze Medical Information Industry (Holding) Co., Ltd. (stock code: 2427.HK). Mr. Zhang currently serves as the Audit Principal of Nortex (HK) CPA Limited (諾德(香港)會計師事務所有限公司).

DIRECTORS (CONT'D)

Independent Non-executive Directors (cont'd)

Mr. Zhang previously served as an independent non-executive director of Jiande International Holdings Limited (建德國際控股有限公司) (formerly known as First Mobile Group Holdings Limited (第一電訊集團有限公司)) (stock code: 0865.HK) from October 25, 2016 to December 6, 2024, of Sang Hing Holdings (International) Limited (生興控股（國際）有限公司) (stock code: 1472.HK) from January 29, 2020 to April 30, 2023, of Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司) (stock code: 6188.HK) from June 2018 to June 2021, of Bonny International Holding Limited (博尼國際控股有限公司) (stock code: 1906.HK) from March 2019 to June 2020 and of Casablanca Group Limited (卡撒天嬌集團有限公司) (stock code: 2223.HK) from April 2015 to April 2018, and served as an independent director of Top Choice Medical Investment Co., Inc. (通策醫療投資股份有限公司) (stock code: 600763.SH) from December 2014 to February 2017, and served as an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司) (stock code: 688488.SH) from May 2019 to March 2022. He served as the head of the strategic development department of Goodbaby International Holdings Limited (好孩子國際控股有限公司) (stock code: 1086.HK) from March 2013 to April 2014, and served as a joint company secretary and the chief financial officer of Huazhong In-Vehicle Holdings Company Limited (華眾車載控股有限公司) (stock code: 6830.HK) from May 2014 to July 2015. Mr. Zhang also served as the chief executive officer of Zhong Rui Capital (Hong Kong) Limited, a consultancy company, from May 2018 to July 2024 and a managing director in Southwest Securities (HK) Brokerage Limited (西證（香港）證券經紀有限公司), a subsidiary of Southwest Securities International Securities Limited (西證國際證券股份有限公司) (stock code: 0812.HK) from February 2016 to March 2020.

Mr. Zhang obtained a bachelor's degree in economics from Fudan University (復旦大學) in July 1999. Mr. Zhang was admitted as a member of the Chinese Institute of Certified Public Accountants in December 2001, admitted as a member of the Hong Kong Institute of Certified Public Accountants in September 2011 and further admitted as a member of the American Institute of Certified Public Accountants in September 2015.

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

Mr. Chung Chong Sun (鍾創新), aged 49, was appointed on December 18, 2020 as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chung joined the Group in December 2020 and is primarily responsible for providing independent opinion and judgement to the Board.

Mr. Chung has over 20 years of professional experience in financing and capital operations. He is the founder of Resourceful Minds Limited (滙路有限公司), a consulting company, and has been its director since its incorporation in September 2018, where he has been primarily responsible for the daily operations and providing strategic advice. From September 2018 to July 2019, he served as the chief financial officer of Xiaoi Robot Technology (H.K.) Limited. From December 2005 to September 2018, Mr. Chung worked at Hong Kong Exchanges and Clearing Limited with his last position being the senior vice president of its issuer services department, primarily responsible for establishing the ecosystem for the listing of mainland enterprises in Hong Kong, including, among others, mainland client relationship management and mainland marketing. From August 2003 to December 2005, Mr. Chung worked at mainland investment promotion unit in InvestHK of the government of Hong Kong with his last position being the manager of such unit, primarily responsible for introducing Hong Kong to overseas and Mainland entrepreneurs. From August 2001 to August 2003, Mr. Chung worked at Cooperative Rabobank U.A. Hong Kong Branch, a Dutch multinational bank with global operations, with his last position being the associate director of its merger and acquisition department. From May 2000 to July 2001, Mr. Chung worked as a senior executive in Deloitte & Touche Corporate Finance Limited (德勤企業財務顧問有限公司), where he was primarily responsible for execution of mergers and acquisitions projects and providing financial advice. From July 1997 to May 2000, Mr. Chung worked at Standard Chartered Bank (Hong Kong) Limited (渣打銀行（香港）有限公司) with his last position being the associate of its investment banking department.

DIRECTORS (CONT'D)

Independent Non-executive Directors (cont'd)

Mr. Chung is currently an independent non-executive director of Zhong An Intelligent Living Service Limited (眾安智慧生活服務有限公司) (stock code: 2271.HK) and Radiance Holdings (Group) Company Limited (金輝控股（集團）有限公司) (stock code: 9993.HK).

Mr. Chung obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in May 1997. He is also a member of the American Institute of Certified Public Accountants and a CFA of CFA Institute.

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

SENIOR MANAGEMENT

Mr. Liu Xiaofeng (劉小楓), aged 47, is the chief executive officer, the Chairman and an executive Director. For details of his biography, please see "– Directors – Executive Directors."

Mr. Chen Chen (陳晨), aged 42, was the chief financial officer and an executive Director. Mr. Chen resigned as the chief financial officer on May 10, 2024 and retired as an executive Director with effect from June 12, 2024. For details of his biography, please see "– Directors – Executive Directors."

Ms. Zhai Fang (翟芳), aged 47, is the chief operating officer and an executive Director. For details of her biography, please see "– Directors – Executive Directors."

JOINT COMPANY SECRETARIES

Ms. Zhai Fang (翟芳), see "– Directors – Executive Directors."

Ms. Zhang Xiao (張瀟), aged 37, was appointed as a joint company secretary in March 2022 and is a joint company secretary of the Company.

Ms. Zhang is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. She has over ten years of experience in the company secretarial field. She obtained a Bachelor's Degree in Computer Science from The Chinese University of Hong Kong in 2010, a Master's Degree in Corporate Governance from Hong Kong Metropolitan University in 2018 and a Master's Degree in Accountancy from Hong Kong Baptist University in 2024. She is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period. All references in this section "Directors' Report" to other sections in this annual report form part of this section.

GLOBAL OFFERING

On January 3, 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's Shares were listed on the Main Board of the Stock Exchange on January 15, 2021.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the PRC in (i) licensing of broadcasting rights of drama series to TV channels, online video platforms and third-party distributors; and (ii) production of made-to-order drama series per online video platforms' orders.

The Company is an investment holding company and the principal businesses of its principal subsidiaries are set out in Note 1 to the financial statements.

A list of the Company's principal subsidiaries as of December 31, 2024, together with, among others, their dates and places of incorporation and particulars of their issued share capital, are set out in Note 1 to the financial statements in this annual report.

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, an analysis of the Group's financial performance, events affecting the Group that have occurred subsequent to the end of the financial year, and an indication of likely future development in the Group's business, are set out in the section headed "Management Discussion and Analysis" of this report. A description of the principal risks and uncertainties faced by the Group, key relationships between the Group and its employees, customers and suppliers, the environmental policies of the Group and compliance with the relevant laws and regulations which have significant impact are set out below.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's results of operations are subject to various factors with the key risks summarised below:

- The Group's success depends, in a significant part, on the general prosperity and development of China's overall entertainment industry, and factors affecting the entertainment industry, especially the development of the drama series market, could have a material and adverse effect on the Group's business, financial condition and results of operations;

- iQIYI was the single largest customer in 2021, 2022, 2023 and 2024 of the Group. If the Group fails to maintain business relationship with iQIYI or if iQIYI loses its leading market position or popularity, the business, financial condition and results of operations of the Group could be materially and adversely affected;

- The Group's income is generally project-based and non-recurring in nature and a failure to obtain new contracts could materially affect the financial performance of the Group;

- The Group's financial performance for a particular period highly depends on a limited number of drama series and films projects during the same period, which may result in wide fluctuations of financial performance;

- The Group's success is primarily dependent on, among others, the popularity and audience acceptance of the drama series and films produced and/or distributed by the Group, which is random and difficult to predict, and the Group may not be able to respond effectively to changes in market trends;

- The production and distribution of drama series and films are extensively regulated in the PRC, and the Group's production and distribution of drama series and films are subject to various PRC laws, rules and regulations. The Group's failure to comply with existing laws, rules and regulations as well as evolving laws, rules and regulations could materially and adversely affect the business, financial condition and results of operations of the Group;

- The Group relies on major TV channels and top online video platforms for the distribution and broadcast of its drama series and films, with which the Group has limited bargaining power, and the loss of any one of them would materially and adversely affect the business, financial conditions, results of operations and prospects of the Group; and

- The production and distribution of drama series and films are subject to uncertainties. There is no guarantee that the production or distribution of the Group's drama series and films can be kept within budget and on schedule.

Since the above is not an exhaustive list, investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

For more details of other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" of the Prospectus.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a socially responsible corporation, the Group has endeavored to strictly comply with laws and regulations regarding environmental protection. During the Reporting Period, the businesses of the Group were in compliance with all the relevant laws and regulations with regard to environmental protection in all material aspects.

The Company recognises the importance of environmental protection and is committed to incorporating the protection of the ecological environment into the development plan of the Company. Thus, the Company has developed energy conservation and carbon reduction policy so as to minimise negative environmental impacts.

For more details, please refer to the Environmental, Social and Governance Report disclosed on HKEXnews website and the Company's website on the same date as this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

RESULTS AND FINAL DIVIDENDS

The results of the Group for the year ended December 31, 2024 are set out in the consolidated financial statements of this report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2024. The Group is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including the substantial shareholders, employees, customers and suppliers.

Shareholders

The Group recognises the importance of protecting the interests of the Shareholders and of having effective communication with them. The Group believes communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been and will be done through general meetings, corporate communications, interim and annual reports, results announcements, earnings calls, and providing official e-mail address on company's website to collect enquiries or information from its Shareholders.

Employees

The Group understands that employees are its valuable assets, and the realisation and enhancement of employees' values will facilitate the achievement of the Group's overall goals. The Group has been endeavoring to provide its staff with competitive compensation packages, attractive promotion opportunities and a respectful and professional working environment. The Group contributes to social security insurance and housing provident funds for the employees in all material aspects in accordance with applicable PRC laws, rules and regulations. The Group provides the employees with holiday and birthday gifts, supplementary medical insurances, work anniversary souvenirs, professional trainings, psycho health guidance and annual health checkups. The Group also adopted RSU Schemes to reward the selected employees for their contribution to the growth and development of the Group. The Group will continue to attract and retain more talent and the new talent will be offered advancement through performance-based compensation packages, on-the-job training programs and promotion opportunities.

Customers

The key customers of the Group include TV channels, online video platforms and third-party distributors. The Group is committed to providing high-quality services and/or products to its customers and enhancing the loyalty of the customers by increasing the interaction with customers through communication and field visits from time to time in order to understand the customer demands, which provide good development to the Group's overall performance in the long run.

Suppliers

The Group believes that its suppliers are equally important in providing high-quality services and/or products. The Group has maintained solid and good relationships with its suppliers which ensures quality supply so as to provide high quality services and/or products to customers.

For the year ended December 31, 2024, there was no significant and material dispute between the Group and its stakeholders.

FINANCIAL SUMMARY

A summary of the Group's financial results, assets and liabilities for the last five financial years are set out on page 199 of this report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2024, the Group's sales to its five largest customers accounted for 98.3% of the Group's total revenue, and the Group's sales to its single largest customer accounted for 78.8% of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2024, the Group's purchases from its five largest suppliers accounted for 63.5% of the Group's total purchases, and the Group's purchases from its single largest supplier accounted for 28.0% of the Group's total purchases.

Except for iQIYI, as of the date of this report, all of the Group's five largest customers and suppliers during the Reporting Period were Independent Third Parties. Except for iQIYI, Mr. Wang Xiaohui and Ms. Liu Fan (each of Mr. Wang Xiaohui and Ms. Liu Fan is a Director and also holds office in iQIYI), none of the Directors, their respective associates or any Shareholder who owned more than 5% of the Company's issued share capital had any interest in any of the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group in 2024 are set out in Note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2024 are set out in Note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Group in 2024 are set out on pages 102 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As of December 31, 2024, the Company's reserves available for distribution, amounted to approximately RMB1,310.0 million.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax concession and exemption granted to Shareholders by virtue of their holding of securities in the Company.

BANK BORROWINGS

Particulars of bank borrowings of the Group as of December 31, 2024 are set out in Note 26 to the financial statements.

DIRECTORS

The Directors during the year ended December 31, 2024 and up to the date of this report are:

Executive Directors

Mr. Liu Xiaofeng *(Chairman)*
Mr. Chen Chen *(retired on June 12, 2024)*
Ms. Zhai Fang

Non-executive Directors

Mr. Wang Xiaohui
Ms. Liu Fan

Independent Non-executive Directors

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

In accordance with article 109(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Accordingly, Mr. Liu Xiaofeng, Mr. Ma Zhongjun and Mr. Chung Chong Sun shall retire by rotation at the AGM, and they being eligible, will offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM will be set out in the circular to be despatched to the Shareholders in due course.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" of this report.

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the Directors (including non-executive Directors) has entered into a service contract or an appointment letter with the Company, under which they agreed to act as Directors for a term of three years commenced from June 9, 2023 subject to retirement by rotation and re-election in accordance with the Articles of Association and the Listing Rules, until terminated in accordance with the terms and conditions of the service contract or the appointment letter.

The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the applicable Listing Rules.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2024, the Group had 77 employees. For the year ended December 31, 2024, total staff remuneration expenses (including Directors' remuneration) amounted to approximately RMB41.4 million, as compared to approximately RMB44.5 million for the same period in 2023. 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 report, the Group did not experience any strikes or any labor disputes with its employees which have had or are likely to have a material effect on its business.

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

For details of the Directors and the five highest paid individuals during the Reporting Period, please refer to Notes 8 and 9 to the financial statements. For details of the remuneration of the senior management of the Group during the Reporting Period, please refer to pages 141 to 144 of this annual report.

PENSION SCHEMES

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

No forfeited contribution (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) is available to be utilised by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the pension scheme.

Details of the Company's pension schemes are set out in Note 2.4 to the financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of the date of this report, Mr. Wang Xiaohui held directorships in certain companies engaging in producing and/or distributing drama series, including Horgos Eternity Pictures Co., Ltd. (霍爾果斯萬年影業有限公司), Beijing Huaxi Taihe Film Co., Ltd. (北京華熙泰和影視有限公司), Beijing Haidong Mingri Film Culture Communication Co., Ltd. (北京海東明日影視文化傳播有限公司), Beijing Chinese Miracle Culture Technology Co., Ltd. (北京中文奇蹟文化科技有限公司), Dongyang Liubai Film Culture Co., Ltd. (東陽留白影視文化有限公司), Hainan Huoyubai Film Culture Media Co., Ltd. (海南火羽白影視文化傳媒有限公司), Xiamen Taiyang Mingshan Film Culture Co., Ltd. (廈門泰洋明山影視文化有限公司) and Beijing Xinliliang Film Culture Co., Ltd. (北京新力量影視文化有限公司). Mr. Wang Xiaohui was not involved in the daily management and operation of the Company and the aforementioned companies. As such, the directorships held by Mr. Wang would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Save as disclosed above, as of December 31, 2024, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, none of the Directors or their connected entities had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period or subsist as of December 31, 2024.

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

As of December 31, 2024, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Interests in the Shares and underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares	Number of underlying Shares	Approximate percentage of shareholding[1]
Mr. Liu	Founder of a discretionary trust[2]	301,774,400	26,353,600	
	Interest held through voting powers entrusted by other persons[3]	109,520,000		
		437,648,000		61.99%
Ms. Zhai	Founder of a discretionary trust[4]	32,000,000		4.53%

Notes:

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as of December 31, 2024, being 706,041,400 Shares (without taking into account the Shares which may be allotted and issued upon the exercise of the outstanding Pre-IPO Share Options).

(2) Leading Glory is owned as to (i) 99% by Master Genius, the holding vehicle used by Family Trust Singapore, the trustee of the LXF Family Trust which is a discretionary trust established by Mr. Liu as the settlor and protector and Mr. Liu's wholly-owned holding company Master Sagittarius as the beneficiary; and (ii) 1% by Master Sagittarius which is wholly owned by Mr. Liu. Accordingly, each of Master Sagittarius, Master Genius and Mr. Liu is deemed to be interested in all the Shares held by Leading Glory.

Gorgeous Horizon, being the beneficial owner of the outstanding Pre-IPO Share Options, is wholly owned by Success Tale which is wholly owned by Employee Trust Hong Kong, the trustee of the Strawbear Employee Trust. The Strawbear Employee Trust is a discretionary trust established by Mr. Liu as the settlor and protector and Mr. Liu's wholly-owned holding company Master Sagittarius as the beneficiary. On May 12, 2022, May 12, 2023 and May 14, 2024, 1,882,400 Shares, 3,764,800 Shares and 5,647,200 Shares were issued to Gorgeous Horizon, respectively, upon the exercise of the Pre-IPO Share Options by Mr. Liu under the Pre-IPO Share Option Scheme. As of December 31, 2024, the number of Shares underlying the outstanding Pre-IPO Share Options held by Gorgeous Horizon is 26,353,600 Shares.

(3) Pursuant to the Voting Arrangement Agreements, Mr. Liu, Master Sagittarius and Leading Glory are able to exercise voting rights entrusted from the other signing parties and are therefore deemed to be interested in the shareholding interest in the Company held by the other signing parties by virtue of the SFO. For further details, see "History, Reorganisation and Corporate Development – Voting Arrangement and Lock-up Arrangements" in the Prospectus.

(4) Golden Basin is owned as to (i) 99% by Smart Century, the holding vehicle used by Family Trust Singapore, the trustee of the Gold Fish Trust which is a discretionary trust established by Ms. Zhai as the settlor and protector and Ms. Zhai's wholly-owned holding company Gold Fish as the beneficiary; and (ii) 1% by Gold Fish which is wholly owned by Ms. Zhai. Accordingly, each of Gold Fish, Smart Century and Ms. Zhai is deemed to be interested in all the Shares held by Golden Basin.

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

Interests in the associated corporation

Name of Director	Nature of interest	Name of associated corporation[1]	Approximate percentage of shareholding
Mr. Liu	Beneficial owner	Jiangsu Strawbear	77.9%
	Interest held through voting powers entrusted by other persons[2]	Jiangsu Strawbear	22.1%
Ms. Zhai	Beneficial owner	Jiangsu Strawbear	0.1%

Notes:

(1) Jiangsu Strawbear is deemed as a subsidiary of the Company under the Contractual Arrangements, and therefore is an associated corporation of the Company by virtue of the SFO.

(2) Pursuant to the Voting Arrangement Agreements, Mr. Liu is able to exercise voting rights entrusted from the other signing parties and is therefore deemed to be interested in the shareholding interest in Jiangsu Strawbear held by the other signing parties by virtue of the SFO. For further details, see "History, Reorganisation and Corporate Development – Voting Arrangement and Lock-up Arrangements" in the Prospectus.

Save as disclosed above, as of December 31, 2024, so far as it was known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

As of December 31, 2024 or at any time during the Reporting Period, none of the Company or any of its subsidiaries is a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Save as disclosed in this report, there have been no changes in the information of Directors and chief executive of the Company since the publication of the 2024 interim report up to the date of this report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERESTS AND SHORT POSITIONS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As of December 31, 2024, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held[1]	Approximate percentage of shareholding[1]
Master Sagittarius	Beneficiary of trust[2]	328,128,000	46.47%
Master Genius	Interest in a controlled corporation[2]	290,480,000	41.14%
Leading Glory	Beneficial interest[2][3]	290,480,000	41.14%
Gorgeous Horizon	Beneficial interest[2]	37,648,000	5.33%
Success Tale	Interest in a controlled corporation[2]	37,648,000	5.33%
Employee Trust Hong Kong	Trustee[2]	37,648,000	5.33%
Ms. Liu	Founder of a discretionary trust[4]	73,600,000	10.42%
Gold Pisces	Beneficiary of trust[4]	73,600,000	10.42%
Beyond Vast	Interest in a controlled corporation[4]	73,600,000	10.42%
Glesason Global	Beneficial interest[4]	73,600,000	10.42%
Taurus Holding	Beneficial interest[5]	97,320,000	13.78%
iQIYI	Interest in a controlled corporation[5]	97,320,000	13.78%
Baidu Holdings Limited	Interest in a controlled corporation[5]	97,320,000	13.78%
Baidu, Inc.	Interest in a controlled corporation[5]	97,320,000	13.78%
Li Yanhong	Interest in a controlled corporation[5]	97,320,000	13.78%
Family Trust Singapore	Trustee[2]	290,480,000	
	Trustee[4]	73,600,000	
	Trustee[6]	32,000,000	
		396,080,000	56.10%

Notes:

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as of December 31, 2024, being 706,041,400 Shares (without taking into account the Shares which may be allotted and issued upon the exercise of the outstanding Pre-IPO Share Options).

(2) Leading Glory is owned as to (i) 99% by Master Genius, the holding vehicle used by Family Trust Singapore, the trustee of the LXF Family Trust which is a discretionary trust established by Mr. Liu as the settlor and protector and Mr. Liu's wholly-owned holding company Master Sagittarius as the beneficiary; and (ii) 1% by Master Sagittarius which is wholly owned by Mr. Liu. Accordingly, each of Master Sagittarius, Master Genius and Mr. Liu is deemed to be interested in all the Shares held by Leading Glory.

Gorgeous Horizon, being the beneficial owner of the outstanding Pre-IPO Share Options, is wholly owned by Success Tale which is wholly owned by Employee Trust Hong Kong, the trustee of the Strawbear Employee Trust. The Strawbear Employee Trust is a discretionary trust established by Mr. Liu as the settlor and protector and Mr. Liu's wholly-owned holding company Master Sagittarius as the beneficiary. On May 12, 2022, May 12, 2023 and May 14, 2024, 1,882,400 Shares,3,764,800 Shares and 5,647,200 Shares were issued to Gorgeous Horizon, respectively, upon the exercise of the Pre-IPO Share Options by Mr. Liu under the Pre-IPO Share Option Scheme. As of December 31, 2024, the number of Shares underlying the outstanding Pre-IPO Share Options held by Gorgeous Horizon is 26,353,600 Shares.

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

Notes: (cont'd)

(3) Pursuant to the Voting Arrangement Agreements, Leading Glory is able to exercise voting rights entrusted from the other signing parties and is therefore deemed to be interested in the shareholding interest in the Company held by the other signing parties by virtue of the SFO. For further details, see "History, Reorganisation and Corporate Development – Voting Arrangement and Lock-up Arrangements" in the Prospectus.

(4) Glesason Global is owned as to (i) 99% by Beyond Vast, the holding vehicle used by Family Trust Singapore, the trustee of the LSS Family Trust which is a discretionary trust established by Ms. Liu as the settlor and protector and Ms. Liu's wholly-owned holding company Gold Pisces as the beneficiary; and (ii) 1% by Gold Pisces which is wholly owned by Ms. Liu. Accordingly, each of Gold Pisces, Beyond Vast and Ms. Liu is deemed to be interested in all the Shares held by Glesason Global.

(5) Taurus Holding is wholly owned by iQIYI, whose voting power is owned as to 89.2% by Baidu Holdings Limited, a wholly-owned subsidiary of Baidu, Inc. Baidu, Inc. is owned as to 59.9% by Li Yanhong. Therefore, each of iQIYI, Baidu Holdings Limited, Baidu, Inc. and Li Yanhong is deemed to be interested in the Shares directly held by Taurus Holding by virtue of the SFO.

(6) Golden Basin is owned as to (i) 99% by Smart Century, the holding vehicle used by Family Trust Singapore, the trustee of the Gold Fish Trust which is a discretionary trust established by Ms. Zhai as the settlor and protector and Ms. Zhai's wholly-owned holding company Gold Fish as the beneficiary; and (ii) 1% by Gold Fish which is wholly owned by Ms. Zhai. Accordingly, each of Smart Century, Gold Fish and Ms. Zhai is deemed to be interested in all the Shares held by Golden Basin.

Save as disclosed above, as of December 31, 2024, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PRE-IPO SHARE OPTION SCHEME

The Company approved and adopted the Pre-IPO Share Option Scheme on May 11, 2020 to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Share Option Scheme shall be valid and effective for a period commencing on May 11, 2020 and ending on December 21, 2020, being the latest practicable date prior to the printing of the Prospectus for the purpose of ascertaining certain information contained in the Prospectus, after which no further options shall be offered or granted, but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme. For more details of the Pre-IPO Share Option Scheme, please refer to "D. Other Information – (1) Pre-IPO Share Option Scheme" of Appendix IV of the Prospectus of the Company and Note 30 to the financial statements.

PRE-IPO SHARE OPTION SCHEME (CONT'D)

On May 11, 2020, an aggregate of 37,648,000 Pre-IPO Share Options, representing approximately 5.68% of the total number of Shares in issue as of the Listing Date and approximately 5.33% of the total number of Shares in issue as of the date of this report, had been conditionally granted to Mr. Liu, the founder of the Company, an executive Director and the chief executive officer of the Company, to recognise his significant contribution to the Group.

Details of movements of Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme during the Reporting Period are set out below:

Name of grantee	Date of grant	Outstanding as of January 1, 2024	Exercise price (per Share)	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as of December 31, 2024
Mr. Liu	May 11, 2020	32,000,800[1]	US$0.000025	5,647,200[2][3]	–	–	26,353,600

Notes:

(1) Subject to fulfillment or waiver of the conditions (if any) determined by the Board, the underlying Shares in respect of the Pre-IPO Share Options shall be vested in accordance with the vesting schedule set out below:

Vesting date	Maximum percentage of underlying Shares in respect of the Pre-IPO Share Options may be vested
May 12, 2022	5%
May 12, 2023	10%
May 12, 2024	15%
May 12, 2025	30%
May 12, 2026	40%

(2) The exercise period of the Pre-IPO Share Options shall be within 10 years from May 11, 2020.

(3) The closing price of the Shares immediately before the date on which the 5,647,200 Pre-IPO Share Options were exercised (being May 14, 2024) was HK$0.45.

RSU SCHEMES

2021 RSU Scheme

On September 15, 2021, the Company adopted the 2021 RSU Scheme. The following is a summary of the principal terms of the 2021 RSU Scheme. For further details of the 2021 RSU Scheme, please refer to the announcement of the Company dated September 15, 2021.

Purpose

The purpose of the 2021 RSU Scheme is to (i) reward the Selected Participants for their contributions to the growth and development of the Group and to give incentives thereto in order to retain them for the continual development and long-term strategic goals of the Group; and (ii) provide additional rewards to top artists, who are scarce resources in the industry and play an important role in the production of drama series projects of the Group, to effectively motivate the artists who have long-term relationship with the Group, and to further attract talents and top artists in the industry, so as to promote the development of the Company.

Eligibility

Eligible Participants of the 2021 RSU Scheme include (i) employees of the Company; (ii) senior management of subsidiaries of the Company; and (iii) business partners of the Group (including top artists such as directors, screenwriters, etc.) who the Board or the Committee or person(s) to which the Board has delegated its authority considers, in their sole discretion, have contributed or will contribute to the Group. No RSUs can be granted to any Excluded Person.

Duration

Subject to any early termination as may be determined by the Board, the 2021 RSU Scheme shall be valid and effective for a term of ten (10) years commencing from the date of adoption of the 2021 RSU Scheme (i.e. September 15, 2021), after which period no further RSUs shall be granted, but the 2021 RSU Scheme shall remain in full force and effect to the extent necessary to give effect to any RSUs granted prior to such expiry and the administration of the trust fund held by the Trustee pursuant to the trust deed.

The remaining life of the 2021 RSU Scheme is approximately 6.4 years.

Grant and acceptance

An offer to grant RSUs will be made to an Eligible Participant selected by the Board or the Committee by way of a Grant Letter, in such form as the Board or the Committee may determine. The Grant Letter will specify the name of the Selected Participant, the Grant Date, the number of RSUs to be granted, the vesting criteria and performance targets (if any), the vesting date and such other terms and conditions as the Board or the Committee may consider necessary.

Upon receipt of the Grant Letter, the Selected Participant shall confirm his/her acceptance of the grant by returning to the Company a notice of acceptance duly executed by him/her within five (5) business days after the Grant Date. Once accepted, the RSUs are deemed granted from the Grant Date.

RSU SCHEMES (CONT'D)

2021 RSU Scheme (cont'd)

Maximum number of underlying Shares

The total number of Shares underlying the RSUs which can be granted pursuant to the 2021 RSU Scheme (excluding RSUs that have lapsed or been cancelled in accordance with the terms of the 2021 RSU Scheme) shall not exceed 20,639,010 Shares, representing approximately 3.00% of the total number of Shares in issue as of the date of adoption of the 2021 RSU Scheme (i.e. September 15, 2021) and approximately 2.92% of the total number of Shares in issue as of the date of this report.

Vesting of RSUs

Subject to the terms of the 2021 RSU Scheme, the Board or the Committee or person(s) to which the Board delegated its authority may from time to time while the 2021 RSU Scheme is in force and subject to all applicable laws, determine the vesting schedule and vesting conditions (including, without limitation, conditions as to performance criteria to be satisfied by the Selected Participant and/or the Company) for any grant of RSUs to any Selected Participant, which shall be stated in the Grant Letter.

Within a reasonable time after the vesting conditions (if any) and schedule have been fulfilled or waived, a vesting notice shall be sent to the relevant Selected Participant setting out, inter alias, (a) extent to which the vesting conditions (if any) and schedule have been fulfilled or waived; (b) the number of Shares the Selected Participants will receive; and (c) the lock-up arrangement or other restrictions for such Shares (if applicable).

Upon receipt of the vesting notice, the relevant Selected Participant (or his/her legal representative or lawful successor as the case may be) is required to return to the Company the reply slip attached to the vesting notice to confirm his/her securities account details for the purposes of effecting the transfer of the vested Shares to such Selected Participant or the nominee account by the Trustee.

The RSUs which have vested shall be satisfied within a reasonable period from the vesting date of such RSUs, either by: (a) the Board or the Committee or person(s) to which the Board delegated its authority directing and procuring the Trustee to transfer the Shares underlying the RSUs; and/or (b) the Board or the Committee or person(s) to which the Board delegated its authority directing and procuring the Trustee to sell, on-market at the prevailing market price, the number of Shares so vested in respect of the Selected Participant and pay the Selected Participant the proceeds in cash arising from such sale.

RSU SCHEMES (CONT'D)

2021 RSU Scheme (cont'd)

Details of the RSUs granted under the 2021 RSU Scheme

On November 4, 2021, the Board resolved to grant an aggregate of 16,780,000 RSUs, representing 16,780,000 underlying Shares, to 59 Selected Participants (including employees of the Company, senior management of subsidiaries of the Company and business partners of the Group) at nil consideration pursuant to the 2021 RSU Scheme, all of which were accepted by the Grantees. On April 19, 2022, the Board resolved to further grant an aggregate of 3,859,000 RSUs, representing 3,859,000 underlying Shares, to six Selected Participants, who are business partners of the Group, at nil consideration pursuant to the 2021 RSU Scheme, all of which were accepted by the Grantees. On December 20, 2023, the Board resolved to further grant an aggregate of 464,000 RSUs, representing 464,000 underlying Shares, to one Selected Participant, who is a top director and a business partner of the Group, at nil consideration pursuant to the 2021 RSU Scheme, all of which were accepted by the Grantee. For details, please refer to the announcements of the Company dated November 4, 2021, April 19, 2022 and December 20, 2023.

As of the date of this report, the number of Shares underlying the outstanding RSUs granted under the 2021 RSU Scheme is 5,159,668 Shares, representing approximately 0.73% of the total number of Shares in issue. The number of RSUs available for grant under the 2021 RSU Scheme was 300,010 as of January 1, 2024 (without taking into account the RSUs lapsed on January 1, 2024) and 2,123,009 as of December 31, 2024, respectively.

Details of the RSUs granted pursuant to the 2021 RSU Scheme and the movements during the Reporting Period are set out below:

Name/category of Grantee	Date of grant[1]	Number of Shares underlying the RSUs as of the date of grant	Vesting date and vesting condition	Closing price of the Shares immediately before the date on which the RSUs were granted	Number of Shares underlying the RSUs outstanding as of January 1, 2024	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Number of Shares underlying the RSUs outstanding as of December 31, 2024
Employees	November 4, 2021	3,680,000	Note 7	HK$2.47	516,000	–	513,000[3]	3,000	–	–
Service Providers	November 4, 2021	13,100,000	Note 8	HK$2.47	11,150,000[2]	–	2,250,000[4]	1,200,000[2]	–	7,700,000
	April 19, 2022	3,859,000	Note 9	HK$4.03	3,606,000	–	426,333[5]	619,999	–	2,559,668
	December 20, 2023	464,000	Note 10	HK$0.48	464,000	–	464,000[6]	–	–	–

Notes:

(1) All the RSUs were granted to the Grantees at nil consideration.

(2) With respect to the RSUs granted to the Service Providers on November 4, 2021, (i) the number of Shares underlying such RSUs outstanding as of January 1, 2024 does not take into account the RSUs lapsed on January 1, 2024; and (ii) the number of RSUs lapsed during the Reporting Period includes the number of RSUs lapsed on January 1, 2024.

(3) The closing price of the Shares immediately before the date on which the RSUs were vested was HK$0.62 per Share.

(4) The weighted closing price of the Shares immediately before the date on which the RSUs were vested was HK$0.49 per Share.

RSU SCHEMES (CONT'D)

2021 RSU Scheme (cont'd)

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

Notes: (cont'd)

(5) The closing price of the Shares immediately before the date on which the RSUs were vested was HK$0.42 per Share.

(6) The closing price of the Shares immediately before the date on which the RSUs were vested was HK$0.55 per Share.

(7) 3,680,000 RSUs granted to the employees of the Group on November 4, 2021 shall vest in the Grantees in accordance with the below vesting schedule, subject to satisfaction of the vesting condition that the relevant Grantees remain Eligible Participants on the respective vesting dates:

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

ii. in relation to 2,080,000 RSUs granted: 20% of the RSUs shall vest on November 11, 2021, 20% of the RSUs shall vest on November 11, 2022, 30% of the RSUs shall vest on November 11, 2023, and 30% of the RSUs shall vest on November 11, 2024.

(8) 13,100,000 RSUs granted to the Service Providers on November 4, 2021 shall vest in the Grantees in accordance with the below vesting schedule:

i. in relation to 800,000 RSUs granted: 25% of the RSUs shall vest on January 25, 2023, January 25, 2024, January 25, 2025, and January 25, 2026, respectively, subject to satisfaction of the vesting condition that the profit of the company, for which the relevant Grantees were engaged as agents, remains at certain level;

ii. in relation to 3,000,000 RSUs granted: 25% of the RSUs shall vest on January 1, 2025, 50% of the RSUs shall vest on January 1, 2026 and January 1, 2027, respectively, subject to satisfaction of the vesting condition that the relevant Grantee procures top actors to participate in the production of drama series of the Company;

iii. in relation to 4,800,000 RSUs granted: one-third of the RSUs shall vest on January 1, 2023, January 1, 2024, and January 1, 2025, respectively, subject to satisfaction of the vesting condition that certain drama series, for which the Grantees engaged by the Group to act as the screenwriter, producer or director shall be broadcast or start shooting by certain dates; and

iv. in relation to 4,500,000 RSUs granted: one-third of the RSUs shall vest on January 1, 2024, January 1, 2025, and January 1, 2026, respectively, subject to satisfaction of the vesting condition that certain drama series, for which the Grantees engaged by the Group to act as the screenwriter, producer or director shall be broadcast or start shooting by certain dates.

(9) 3,859,000 RSUs granted to the Service Providers on April 19, 2022 shall vest in the Grantees in accordance with the below vesting schedule, subject to satisfaction of the vesting condition that certain drama series, for which the Grantees engaged by the Group to act as the screenwriter, producer or director shall be broadcast or start shooting by certain dates:

i. in relation to 759,000 RSUs granted: one-third of the RSUs shall vest on May 1, 2023, May 1, 2024, and May 1, 2025, respectively;

ii. in relation to 2,380,000 RSUs granted: one-third of the RSUs shall vest on May 1, 2024, May 1, 2025, and May 1, 2026, respectively; and

iii. in relation to 720,000 RSUs granted: one-third of the RSUs shall vest on May 1, 2025, May 1, 2026, and May 1, 2027, respectively.

(10) 464,000 RSUs granted to the Service Provider on December 20, 2023 shall vest in the Grantee on December 20, 2024 subject to the fulfillment of the vesting condition that certain drama series, for which the Grantee engaged by the Group to act as a director, shall be broadcast before December 20, 2024.

(11) For details of the accounting standard and policy adopted in relation to and the basis of the measurement of fair value of RSUs, please refer to Note 30 to the financial statements in this report.

RSU SCHEMES (CONT'D)

2022 RSU Scheme

On April 28, 2022, the Company adopted the 2022 RSU Scheme. The following is a summary of the principal terms of the 2022 RSU Scheme. For further details of the 2022 RSU Scheme, please refer to the announcement of the Company dated April 28, 2022.

Purpose

The purpose of the 2022 RSU Scheme is to (i) reward the Selected Participants for their contributions to the growth and development of the Group and to give incentives thereto in order to retain them for the continual development and long-term strategic goals of the Group; and (ii) provide additional rewards to significant business partners, who are scarce resources in the industry and play an important role in the business operations of the Group, to effectively motivate the business partners who have long-term relationship with the Group, and to further attract talents and top artists in the industry, so as to promote the development of the Company.

Eligibility

Eligible Participants of the 2022 RSU Scheme include (i) employees of the Company; (ii) senior management of subsidiaries of the Company; and (iii) business partners of the Group (including top artists such as directors, screenwriters, producers, etc.) who the Board or the Committee or person(s) to which the Board has delegated its authority considers, in their sole discretion, have contributed or will contribute to the Group. No RSUs will be granted to any Excluded Person.

Duration

Subject to any early termination as may be determined by the Board, the 2022 RSU Scheme shall be valid and effective for a term of ten (10) years commencing from the date of adoption of the 2022 RSU Scheme (i.e. April 28, 2022), after which period no further RSUs shall be granted, but the 2022 RSU Scheme shall remain in full force and effect to the extent necessary to give effect to any RSUs granted prior to such expiry and the administration of the trust fund held by the Trustee pursuant to the trust deed.

The remaining life of the 2022 RSU Scheme is approximately 7.0 years.

Grant and acceptance

An offer to grant RSUs will be made to an Eligible Participant selected by the Board or the Committee by way of a Grant Letter, in such form as the Board or the Committee may determine. The Grant Letter will specify the name of the Selected Participant, the Grant Date, the number of RSUs to be granted, the vesting criteria and performance targets (if any), the vesting date and such other terms and conditions as the Board or the Committee may consider necessary.

Upon receipt of the Grant Letter, the Selected Participant shall confirm his/her acceptance of the grant by returning to the Company a notice of acceptance duly executed by him/her within five (5) business days after the Grant Date. Once accepted, the RSUs are deemed granted from the Grant Date.

RSU SCHEMES (CONT'D)

2022 RSU Scheme (cont'd)

Maximum number of underlying Shares

The total number of Shares underlying the RSUs which can be granted pursuant to the 2022 RSU Scheme (excluding RSUs that have lapsed in accordance with the terms of the 2022 RSU Scheme) shall not exceed 20,842,410 Shares, representing 3.00% of the total number of Shares in issue as of the date of adoption of the 2022 RSU Scheme (i.e. April 28, 2022) and approximately 2.95% of the total number of Shares in issue as of the date of this report.

Vesting of RSUs

Subject to the terms of the 2022 RSU Scheme, the Board or the Committee or person(s) to which the Board delegated its authority may from time to time while the 2022 RSU Scheme is in force and subject to all applicable laws, determine the vesting schedule and vesting conditions (including, without limitation, conditions as to performance criteria to be satisfied by the Selected Participant and/or the Company) for any grant of RSUs to any Selected Participant, which shall be stated in the Grant Letter.

Within a reasonable time after the vesting conditions (if any) and schedule have been fulfilled or waived, a vesting notice shall be sent to the relevant Selected Participant setting out, inter alias, (a) extent to which the vesting conditions (if any) and schedule have been fulfilled or waived; (b) the number of Shares the Selected Participants will receive; and (c) the lock-up arrangement or other restrictions for such Shares (if applicable).

Upon receipt of the vesting notice, the relevant Selected Participant (or his/her legal representative or lawful successor as the case may be) is required to return to the Company the reply slip attached to the vesting notice to confirm his/her securities account details for the purposes of effecting the transfer of the vested Shares to such Selected Participant or the nominee account by the Trustee.

The RSUs which have vested shall be satisfied within a reasonable period from the vesting date of such RSUs, either by: (a) the Board or the Committee or person(s) to which the Board delegated its authority directing and procuring the Trustee to transfer the Shares underlying the RSUs; and/or (b) the Board or the Committee or person(s) to which the Board delegated its authority directing and procuring the Trustee to sell, on-market at the prevailing market price, the number of Shares so vested in respect of the Selected Participant and pay the Selected Participant the proceeds in cash arising from such sale.

RSU SCHEMES (CONT'D)

2022 RSU Scheme (cont'd)

Details of the RSUs granted under the 2022 RSU Scheme

On April 28, 2022, the Board resolved to grant an aggregate of 6,141,000 RSUs, representing 6,141,000 underlying Shares, to 21 Selected Participants, who are employees of the Group, at nil consideration pursuant to the 2022 RSU Scheme, all of which were accepted by the Grantees. On November 14, 2022, the Board resolved to grant an aggregate of 310,000 RSUs, representing 310,000 underlying Shares, to one Selected Participant, who is a top screenwriter and a business partner of the Group, at nil consideration pursuant to the 2022 RSU Scheme, all of which were accepted by the Grantee. For details, please refer to the announcements of the Company dated April 28, 2022 and November 14, 2022.

As of the date of this report, the number of Shares underlying the outstanding RSUs granted under the 2022 RSU Scheme is 2,812,300 Shares, representing approximately 0.4% of the total number of Shares in issue. The number of RSUs available for grant under the 2022 RSU Scheme was 14,791,410 as of January 1, 2024 and 14,791,410 as of December 31, 2024, respectively.

Details of the RSUs granted pursuant to the 2022 RSU Scheme and the movements during the Reporting Period are set out below:

Name/category of Grantee	Date of grant[1]	Number of Shares underlying the RSUs as of the date of grant	Vesting date and vesting condition	Closing price of the Shares immediately before the date on which the RSUs were granted	Number of Shares underlying the RSUs outstanding as of January 1, 2024	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Number of Shares underlying the RSUs outstanding as of December 31, 2024
Employees	April 28, 2022	6,141,000	Note 3	HK$3.90	4,084,600	–	1,272,300[2]	–	–	2,812,300
Service Provider	November 14, 2022	310,000	Note 4	HK$0.66	–	–	–	–	–	–

RSU SCHEMES (CONT'D)

2022 RSU Scheme (cont'd)

Details of the RSUs granted under the 2022 RSU Scheme (cont'd)

Notes:

(1) All the RSUs were granted to the Grantees at nil consideration.

(2) The closing price of the Shares immediately before the date on which the RSUs were vested is HK$0.62.

(3) 6,141,000 RSUs granted to the employees of the Group on April 28, 2022 shall vest in the Grantees in accordance with the below vesting schedule, subject to satisfaction of the vesting condition that the relevant Grantees remain Eligible Participants on the respective vesting dates:

i. in relation to 668,200 RSUs granted: the RSUs shall vest on May 20, 2022;

ii. in relation to 140,000 RSUs granted: the RSUs shall vest on November 11, 2022;

iii. in relation to 948,200 RSUs granted: the RSUs shall vest on November 11, 2023;

iv. in relation to 1,422,300 RSUs granted: the RSUs shall vest on November 11, 2024;

v. in relation to 1,562,300 RSUs granted: the RSUs shall vest on November 11, 2025;

vi. in relation to 700,000 RSUs granted: the RSUs shall vest on November 11, 2026; and

vii. in relation to 700,000 RSUs granted: the RSUs shall vest on November 11, 2027.

(4) The 310,000 RSUs granted to such Service Provider shall vest on May 1, 2023, subject to satisfaction of the vesting condition that certain drama series, for which the Grantee engaged by the Group to act as the screenwriter, shall be broadcast before May 1, 2023.

(5) For details of the accounting standard and policy adopted in relation to and the basis of the measurement of fair value of RSUs, please refer to Note 30 to the financial statements in this report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Reporting Period or subsisted as of December 31, 2024.

CONNECTED TRANSACTIONS

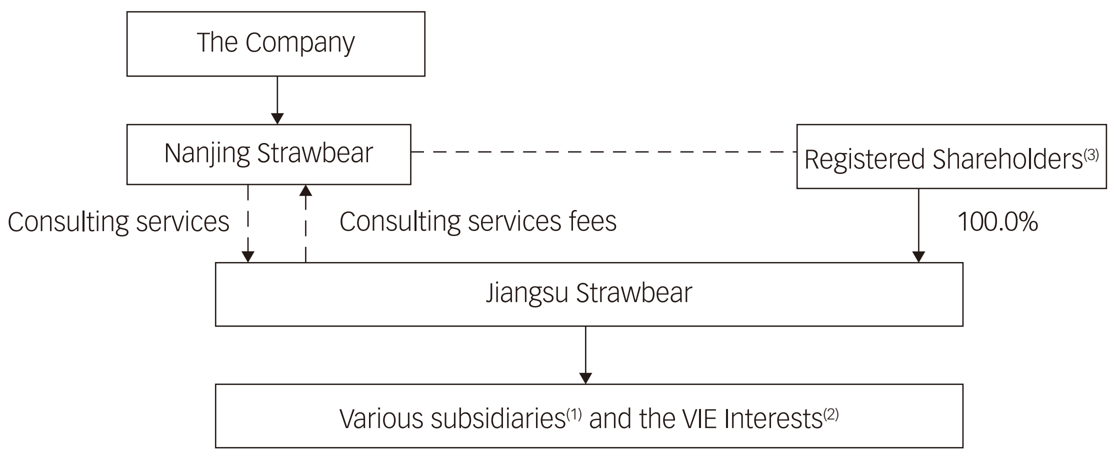
Pursuant to the requirements of the Listing Rules, the transactions between the Company and its connected persons constitute connected transactions of the Company. The Company regulates and manages such transactions in compliance with the Listing Rules. The followings are the non-exempt connected transactions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

Contractual Arrangements

The Group conducts the drama series and web films production and distribution business in the PRC (the "**Relevant Businesses**") through the Consolidated Affiliated Entities which hold the requisite licenses and permits, including the Radio and Television Programs Production and Operation Permit (《廣播電視節目製作經營許可證》) and the Television Drama Production Permit (Class A) (《電視劇製作許可證(甲種)》) (the "**Relevant Licenses**"). Under the applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in any enterprise conducting the production and operation (including distribution) of drama series including made-for-internet programs. Please refer to the section headed "Regulatory Overview – Regulations in Relation to Production and Distribution of Television Programmes" in the Prospectus for further details.

In order for the Group to conduct the Relevant Businesses in compliance with the applicable PRC laws and regulations, as part of the Reorganisation, Nanjing Strawbear entered into the Contractual Arrangements with Jiangsu Strawbear and the Registered Shareholders (as defined below) on November 20, 2018, which were amended and restated on February 20, 2019, pursuant to which the Group is able to assert management control over the operations of the Consolidated Affiliated Entities and is entitled to all the economic benefits derived from their operations.

The following simplified diagram illustrates the flow of economic benefits from the Group's Consolidated Affiliated Entities to the Group stipulated under the Contractual Arrangements:



CONNECTED TRANSACTIONS (CONT'D)

Contractual Arrangements (cont'd)

Notes:

→ denotes legal and beneficial ownership in the equity interest.

- ► denotes contractual relationship.

– – denotes the control by Nanjing Strawbear over the Consolidated Affiliated Entities through (i) powers of attorney to exercise all shareholders' rights in Jiangsu Strawbear, (ii) exclusive options to acquire all or part of the equity interests in Jiangsu Strawbear and (iii) equity pledges over the equity interest in Jiangsu Strawbear.

(1) These include Horgos Strawbear, Beijing Strawbear, Hainan Magic Stone Film and Television Media Co., Ltd. (海南魔石影視傳媒有限公司), Hainan Jiujun Audio-visual Communication Co., Ltd. (海南九珺視聽傳播有限公司), Hainan Xuxuxing Cultural Media Technology Co., Ltd. (海南徐徐行文化傳媒科技有限公司), Hangzhou Yide Cultural Creativity Co., Ltd. (杭州懿德文化創意有限公司), Beijing Hechuang Xinshi Culture Media Co., Ltd. (北京合創新世文化傳媒有限公司), Sichuan Hongluzi Film Co., Ltd. (四川紅爐子影業有限公司), Hangzhou Xiaobaiyang Film and Television Co., Ltd. (杭州小白楊影視有限公司), Zhejiang Xiangliangliang Film and Television Cultural Co., Ltd. (浙江響亮亮影視文化有限公司), Sichuan Hongtongtong Film and Television Culture Co., Ltd. (四川紅彤彤影視文化有限公司), Beijing Haoyuanfasheng Film and Television Media Co., Ltd. (北京好願發生影視傳媒有限公司) and Shanghai Honghonghuohuo Film Co., Ltd. (上海弘弘火火影業有限公司).

(2) These refer to the 15.0% equity interest in Wuxi Wuyi Cultural Media Co., Ltd. (無錫無一文化傳媒有限公司), 100.0% equity interest in Shanghai Paihaoxi Film Co., Ltd. (上海拍好戲影業有限公司), 25.0% equity interest in Zhejiang Dongyang Chestnutbear Film and Television Cultural Co., Ltd. (浙江東陽栗子熊影視文化有限公司), 20.0% equity interest in Hainan Dongzhen Cultural Media Technology Co., Ltd. (海南東震文化傳媒科技有限公司), and 20.0% equity interest in Jingling Cultural Media (Hainan) Co., Ltd. (鯨靈文化傳媒(海南)有限公司) held by Jiangsu Strawbear (the "**VIE Interests**").

(3) As of the date of this report, Jiangsu Strawbear was held as to 100.0% by the following persons (collectively, the "**Registered Shareholders**"):

Shareholder	Registered capital (RMB)	Percentage of shareholding
Mr. Liu	7,790,000	77.9%
Ms. Liu	2,000,000	20.0%
Ms. Zhao	100,000	1.0%
Ms. Zhang Qiuchen	100,000	1.0%
Ms. Zhai	10,000	0.1%
Total	**10,000,000**	**100.0%**

CONNECTED TRANSACTIONS (CONT'D)

Contractual Arrangements (cont'd)

Summary of the Material Terms of the Contractual Arrangements

A brief description of the specific agreements that comprise the Contractual Arrangements is set out below. For details of the specific agreements, please refer to the section headed "Contractual Arrangements" of the Prospectus.

(1) Exclusive Business Cooperation Agreement

Nanjing Strawbear and Jiangsu Strawbear entered into an exclusive business cooperation agreement on November 20, 2018 which was amended and restated on February 20, 2019 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which, in exchange for a service fee, Nanjing Strawbear agreed to provide Jiangsu Strawbear and its controlled subsidiaries with comprehensive management consulting services, including but not limited to:

- providing technical support and business consultation services;
- providing brand placement marketing agent and marketing consultation services;
- providing intellectual properties licensing;
- providing human resource management services;
- providing financial support permitted under applicable PRC laws and regulations; and
- other services reasonably requested by Jiangsu Strawbear and its controlled subsidiaries, permitted under applicable PRC laws and regulations.

The service fees under the Exclusive Business Cooperation Agreement shall consist of 100.0% of the total consolidated profits of Jiangsu Strawbear and its controlled subsidiaries under HKFRS, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions, and Nanjing Strawbear has the right to adjust the service fees at any time based on the complexity, actual time required, content and commercial value of the services provided to Jiangsu Strawbear and market price of services of the same nature.

The Exclusive Business Cooperation Agreement shall be effective upon execution and shall remain valid for ten (10) years. Subject to compliance with the Listing Rules, the Exclusive Business Cooperation Agreement shall be automatically renewed for a term of ten (10) years upon its expiration, unless terminated in accordance with the terms therein.

CONNECTED TRANSACTIONS (CONT'D)

Contractual Arrangements (cont'd)

Summary of the Material Terms of the Contractual Arrangements (cont'd)

(2) Exclusive Option Agreement

Nanjing Strawbear, Jiangsu Strawbear and the Registered Shareholders entered into an exclusive option agreement on November 20, 2018 which was amended and restated on February 20, 2019 (the "**Exclusive Option Agreement**"), pursuant to which Nanjing Strawbear (or its designees) was granted an irrevocable, unconditional and exclusive right (the "**Exclusive Option Rights**") to purchase from the Registered Shareholders all or any part of their equity interests in Jiangsu Strawbear for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, the Registered Shareholders shall return any amount of the purchase price they have received to Nanjing Strawbear or its designees. Upon receiving the notice issued by Nanjing Strawbear (or its designees) to exercise their Exclusive Option Rights (the "**Notice**"), the Registered Shareholders and Jiangsu Strawbear will take all necessary actions to engage in and complete the approval, filing, or registration procedures with regulatory authorities without any delay, so that the relevant equity interest in Jiangsu Strawbear as set out in the Notice, without any security interest attached to them, can be effectively registered under the name of Jiangsu Strawbear (or its designees).

Should the events of default (as provided in the Exclusive Option Agreement) by Jiangsu Strawbear or the Registered Shareholders occur, unless otherwise required by PRC laws and regulations, Nanjing Strawbear shall have the right to terminate the Exclusive Option Agreement and require Jiangsu Strawbear or the Registered Shareholders to compensate for the damages.

(3) Equity Pledge Agreement

Nanjing Strawbear, Jiangsu Strawbear and the Registered Shareholders entered into an equity pledge agreement on November 20, 2018 which was amended and restated on February 20, 2019 (the "**Equity Pledge Agreement**"), pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interest in Jiangsu Strawbear to guarantee the performance of the obligation of, and the representations, undertakings, and warrants provided by Jiangsu Strawbear and the Registered Shareholders under the Contractual Arrangements.

The pledge under the Equity Pledge Agreement shall take effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until the earlier of: (i) the last secured debt and contractual obligations guaranteed by the pledge are fully paid and fulfilled; (ii) Nanjing Strawbear decides to purchase all the equity interests of Jiangsu Strawbear held by the Registered Shareholders in accordance with the Exclusive Option Agreement permitted by PRC law, the Registered Shareholders' equity interests Jiangsu Strawbear has been transferred to Nanjing Strawbear and/or its designated party, and Nanjing Strawbear, its subsidiaries and branches can legally engage in the business of Jiangsu Strawbear; (iii) Nanjing Strawbear unilaterally requests to terminate this agreement; and (iv) termination in accordance with applicable PRC laws and regulations. The registration of the pledge of equity interests has been completed as of April 2020 in accordance with the terms of the Equity Pledge Agreement and the applicable PRC laws and regulations.

CONNECTED TRANSACTIONS (CONT'D)

Contractual Arrangements (cont'd)

Summary of the Material Terms of the Contractual Arrangements (cont'd)

(4) Voting Rights Proxy Agreement and Powers of Attorney

Nanjing Strawbear, Jiangsu Strawbear and the Registered Shareholders entered into a voting rights proxy agreement on November 20, 2018 which was amended and restated on February 20, 2019 (the "**Voting Rights Proxy Agreement**") with an annexure of the powers of attorney (the "**Powers of Attorney**") executed by the Registered Shareholders, pursuant to which the Registered Shareholders unconditionally and irrevocably appoint Nanjing Strawbear and its designees as their attorney-in-fact, to exercise all the rights that they have as the shareholders of Jiangsu Strawbear as set out in the then-valid articles of association of Jiangsu Strawbear.

The Voting Rights Proxy Agreement and Powers of Attorney shall be effective upon execution, and shall remain effective ever after, until Nanjing Strawbear unilaterally terminates the Voting Rights Proxy Agreement and Powers of Attorney or all of the Registered Shareholders' equity interests in Jiangsu Strawbear have been legally and effectively transferred to Nanjing Strawbear and/or its designees.

(5) Spouse Undertakings

The spouse of each of the Registered Shareholders, where applicable, has signed an undertaking (collectively, the "**Spouse Undertakings**") to the effect that, among others, (i) the shares of Jiangsu Strawbear held and to be held by each of the Registered Shareholders do not fall within the scope of communal properties; and (ii) he or she waives any rights or interests that may be granted to him or her under the applicable laws of any jurisdictions, and he or she undertakes not to claim such rights or interests.

Business Activities of Consolidated Affiliated Entities

Consolidated Affiliated Entities of the Group include Jiangsu Strawbear and its subsidiaries and VIE Interests. The principal business of the Consolidated Affiliated Entities is drama series and web films production and distribution.

The Importance and Financial Contribution of the Consolidated Affiliated Entities to the Group

Under the Contractual Arrangements, the Group has obtained control of the Consolidated Affiliated Entities and is entitled to receive all of the economic interest returns generated by the Consolidated Affiliated Entities. The following table sets forth the financial contributions of the Consolidated Affiliated Entities to the Group during the Reporting Period:

	For the year ended December 31, 2024		As of December 31, 2024	
	Revenue	% of total revenue	Total assets	% of the total assets
	(RMB in thousands, except percentages)			
Consolidated Affiliated Entities	**1,124,141**	**99.96%**	**2,632,135**	**98.80%**

CONNECTED TRANSACTIONS (CONT'D)

Contractual Arrangements (cont'd)

Governing Framework

On December 23, 2018, the 7th meeting of the 13th Standing Committee of the National People's Congress (the "**NPC**") reviewed the Draft Foreign Investment Law, which was promulgated by the National People's Congress on its official website on December 26, 2018 for public consultation until February 24, 2019, and further submitted the second draft of the 2018 draft foreign investment law to the NPC for deliberation on January 29, 2019. On March 15, 2019, the NPC adopted the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the "**FIL**") at the closing meeting of the second session of the 13th NPC. The FIL took effect on January 1, 2020 and replaced the Law on Chinese-Foreign Equity Joint Ventures (《中外合資經營企業法》), the Law on Chinese-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Law on Wholly Foreign-Owned Enterprises (《外資企業法》), became the legal foundation for foreign investment in the PRC. On December 26, 2019, the State Council promulgated Regulation on the Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**FIL Implementing Regulation**"), which came into effect on January 1, 2020.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by the Company in the form of the Contractual Arrangements, to establish control of the Consolidated Affiliated Entities, through which the Group operates its business in the PRC. The FIL does not mention concepts including "actual control," nor does it explicitly stipulate the contractual arrangements as a form of foreign investment. Besides, it does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. As advised by its PRC Legal Advisors, provided that no additional laws, administrative regulations, departmental rules or other regulatory documents on contractual arrangements has been issued and enacted, the FIL does not, by itself, have any material adverse operational and financial impact on the legality and validity of the Company's Contractual Arrangements.

Furthermore, the FIL stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council." Although the FIL Implementing Regulation does not expressly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against the Company which may have a material adverse effect on the trading of its Shares.

CONNECTED TRANSACTIONS (CONT'D)

Contractual Arrangements (cont'd)

Risks in relation to the Arrangements and Actions Taken to Reduce Risks

There are certain risks that are associated with the Contractual Arrangements, including:

(i) If the PRC government finds that the agreements that establish the structure for operating the Group's businesses in the PRC do not comply with applicable PRC laws and regulations, or if these laws and regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of its interest in its Consolidated Affiliated Entities;

(ii) The Contractual Arrangements may not be as effective in providing operational control as direct ownership. Jiangsu Strawbear and its shareholders may fail to perform their obligations under the Contractual Arrangements;

(iii) The Group may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by its Consolidated Affiliated Entities that are material to its business operations if its Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding;

(iv) The shareholders of Jiangsu Strawbear may have conflicts of interest with the Company, which may materially and adversely affect the Group's business;

(v) If the Company exercises the option to acquire equity ownership of Jiangsu Strawbear, the ownership transfer may subject the Company to certain limitations and substantial costs; and

(vi) The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that the Group owes additional taxes could substantially reduce its consolidated net income and the value of the investors' investment.

For details, please refer to the section headed "Risk Factors – Risks Relating to the Contractual Arrangements" of the Prospectus.

The Group has adopted the following measures to ensure the effective operation with the implementation and compliance of the Contractual Arrangements:

(i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory inquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(ii) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) the Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports; and

(iv) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Nanjing Strawbear and its Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

CONNECTED TRANSACTIONS (CONT'D)

Contractual Arrangements (cont'd)

Risks in relation to the Arrangements and Actions Taken to Reduce Risks (cont'd)

In addition, notwithstanding that the executive Directors, namely Mr. Liu and Ms. Zhai, are also the Registered Shareholders, the Group believes that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently after the Listing under the following measures:

(i) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(ii) each of the Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of the Group;

(iii) the Group has appointed three independent non-executive Directors, comprising over one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and its Shareholders as a whole; and

(iv) the Group will disclose in its announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his or her associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Listing Rules Implications and Waivers from the Stock Exchange

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules as certain parties to the Contractual Arrangements, namely Mr. Liu, Ms. Liu and Ms. Zhai, all of which are the members of the Registered Shareholders, are connected persons of the Company.

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the legal structure and business of the Group, that such transactions have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements related thereto or renewal of existing transactions, contracts and agreements to be entered into by, among others, the Consolidated Affiliated Entities and any member of the Group technically constitute its continuing connected transactions under Chapter 14A of the Listing Rules after the Listing, the Directors consider that, given that the Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent Shareholders' approval requirements.

CONNECTED TRANSACTIONS (CONT'D)

Contractual Arrangements (cont'd)

Annual Review by the Independent Non-executive Directors and the Auditors

The independent non-executive Directors, upon review of the overall performance of and compliance with the Contractual Arrangements, confirmed that:

(i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements,

(ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, and

(iii) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the relevant financial period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and its Shareholders as a whole.

The auditor of the Company has carried out review procedures on the transactions carried out pursuant to the Contractual Arrangements during the Reporting Period in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, and has provided a letter to the Board with a copy to the Hong Kong Stock Exchange confirming that:

(i) the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Contractual Arrangements; and

(ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

The Consolidated Affiliated Entities have undertaken that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide the Group's management and the Company's reporting accountants' full access to its relevant records for the purpose of their review of the continuing connected transactions.

Material Changes

There were no new contractual arrangements entered into, renewed and/or reproduced between the Group and the Consolidated Affiliated Entities during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period.

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2024, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its Consolidated Affiliated Entities under the Contractual Arrangements.

CONNECTED TRANSACTIONS (CONT'D)

Non-exempt Continuing Connected Transactions

Summary of the Material Terms of the Continuing Connected Transaction Agreements

2022 Made-to-order Drama Series Production Framework Agreement

On December 23, 2022, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) and iQIYI (for itself and on behalf of its subsidiaries and consolidated affiliated entities) entered into the 2022 made-to-order drama series production framework agreement (the "**2022 Made-to-order Drama Series Production Framework Agreement**"), pursuant to which, the Group shall, among others, provide drama series made-to-order services (including but not limited to project planning, screenplays development, copyrights procurement and/or preparation and production services) for iQIYI in exchange for service fees payable by iQIYI, and iQIYI may share with the Group other revenue generated from the broadcasting of made-to-order drama series produced by the Group for iQIYI (if applicable), for a term commencing from January 1, 2023 to December 31, 2025. For details, please refer to the announcement of the Company dated November 14, 2022 and the circular of the Company dated December 6, 2022.

2022 Copyrights Licensing Framework Agreement and 2025 Copyrights Licensing Framework Agreement

On January 19, 2022, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) and iQIYI (for itself and on behalf of its subsidiaries and consolidated affiliated entities) entered into a copyright licensing framework agreement (the "**2022 Copyrights Licensing Framework Agreement**"), pursuant to which, the Group shall license the copyrights (including but not limited to the broadcasting rights, information network transmission right and other copyrights) of the self-owned and licensed-in Audiovisual Works of the Group to iQIYI for a term commencing from January 19, 2022 to December 31, 2024. The proposed annual caps for the licensing fees payable by iQIYI to the Group under the 2022 Copyrights Licensing Framework Agreement are RMB1,840 million for the year ended December 31, 2023 and RMB2,340 million for the year ending December 31, 2024, respectively. For details, please refer to the announcement of the Company dated December 2, 2021 and the circular of the Company dated January 4, 2022.

On December 23, 2024, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) and iQIYI (for itself and on behalf of its subsidiaries and consolidated affiliated entities) entered into a copyright licensing framework agreement (the "**2025 Copyrights Licensing Framework Agreement**"), pursuant to which, the Group shall license the copyrights (including but not limited to the broadcasting rights, information network transmission right and other copyrights) of the self-owned and licensed-in Audiovisual Works of the Group to iQIYI for a term commencing from January 1, 2025 to December 31, 2025. The proposed annual caps for the licensing fees payable by iQIYI to the Group under the 2025 Copyrights Licensing Framework Agreement are RMB1,260 million for the year ending December 31, 2025. For details, please refer to the announcement of the Company dated November 11, 2024 and the circular of the Company dated December 3, 2024.

2022 Drama Series Copyrights Purchasing Framework Agreement

On December 23, 2022, the Company (for itself and on behalf of its subsidiaries and Consolidated Affiliated Entities) and iQIYI (for itself and on behalf of its subsidiaries and consolidated affiliated entities) entered into 2022 drama series copyrights purchasing framework agreement (the "**2022 Drama Series Copyrights Purchasing Framework Agreement**"), pursuant to which, iQIYI shall license the copyrights (including but not limited to broadcasting rights and/or distribution rights) of certain drama series to the Group, which will be further licensed to other broadcasting platforms, TV channels or third-party agents by the Group, and the Group shall pay licensing fees to iQIYI for a term commencing from January 1, 2023 to December 31, 2025. For details, please refer to the announcement of the Company dated November 14, 2022 and the circular of the Company dated December 6, 2022.

CONNECTED TRANSACTIONS (CONT'D)

Non-exempt Continuing Connected Transactions (cont'd)

Reasons for the Transactions

2022 Made-to-order Drama Series Production Framework Agreement

The Group is an early mover in collaborating with online video platforms and provides diversified content developed by itself or licensed from its content partners to different online video platforms according to their preferences and specific demands. iQIYI is an innovative market-leading online entertainment service provider in China which distributes popular, trend-setting content, including drama series provided by other drama series production companies with made-to-order services. As such, the made-to-order drama series producing arrangements provided under the 2022 Made-to-order Drama Series Production Framework Agreement are in the ordinary and usual course of the business of the Group.

iQIYI has abundant capital capacity and massive user base. By entering into the 2022 Made-to-order Drama Series Production Framework Agreement, the Group can enhance the popularity of its content products, diversify its revenue sources and hedge the operational risks of a single business resulting from the evolving market and regulatory restrictions. The prices and terms offered by the Group to iQIYI are also no more favorable than those offered to other customers which are Independent Third Parties. Therefore, the made-to-order drama series producing arrangements under the 2022 Made-to-order Drama Series Production Framework Agreement are profitable and are in the interests of the Group and the Shareholders as a whole.

2022 Copyrights Licensing Framework Agreement

The Group commenced producing its own drama series and films and licensing the related copyrights of the self-owned and licensed-in drama series and films to major TV channels and/or online video platforms, which are limited in number, since its inception. iQIYI is an innovative market-leading online entertainment service provider in China, and its platform features highly popular original content, as well as a comprehensive library of other professionally-produced content, professional user generated content and user-generated content. As such, the copyrights licensing arrangements under the 2022 Copyrights Licensing Framework Agreement are in the ordinary and usual course of the business of the Group. In addition, entering into 2022 Copyrights Licensing Framework Agreement is in line with the evolved business model of the Group and the expanded business cooperation with iQIYI.

iQIYI has a massive demand for high-quality content generated by professional producers like the Group. By entering into the 2022 Copyrights Licensing Framework Agreement, the Group can enhance its distribution network and business relationship with iQIYI, which has been a major player in content distribution market with sizable procurement budgets for content. The prices and terms offered by the Group to iQIYI are also no more favorable than those offered to other customers which are Independent Third Parties. Therefore, the copyrights licensing arrangements under the 2022 Copyrights Licensing Framework Agreement are profitable and are in the interests of the Group and the Shareholders as a whole.

2022 Drama Series Copyrights Purchasing Framework Agreement

The Group commenced licensing broadcasting rights of outright-purchased drama series from online video platforms to TV channels or third-party agents in 2017. Such business model has diversified the revenue streams and further enhanced the Group's cooperation with top online video platforms by providing them with more monetisation opportunities at the same time. As such, the purchasing of copyrights of outright-purchased drama series under the 2022 Drama Series Copyrights Purchasing Framework Agreement are in the ordinary and usual course of the business of the Group. In addition, the prices and terms offered by iQIYI to the Group are no less favorable than those offered by the Group's other suppliers which are Independent Third Parties. Therefore, the copyrights purchasing arrangements under the 2022 Drama Series Copyrights Purchasing Framework Agreement are profitable and are in the interests of the Group and the Shareholders as a whole.

CONNECTED TRANSACTIONS (CONT'D)

Non-exempt Continuing Connected Transactions (cont'd)

Pricing Policies

2022 Made-to-order Drama Series Production Framework Agreement

The service fees payable by iQIYI to the Group under the 2022 Made-to-order Drama Series Production Framework Agreement will be determined based on cost-plus basis. For the purpose of providing incentives and rewards to the Group, iQIYI may also share with the Group other revenue (including but not limited to distribution revenue) generated from the broadcasting of the made-to-order drama series produced by the Group for iQIYI after deducting operating costs as confirmed by iQIYI (if any). For details of the pricing policies under the 2022 Made-to-order Drama Series Production Framework Agreement, please refer to the announcement of the Company dated November 14, 2022 and the circular of the Company dated December 6, 2022.

2022 Copyrights Licensing Framework Agreement

The licensing fees payable by iQIYI to the Group under the 2022 Copyrights Licensing Framework Agreement will be determined based on (i) fixed amount of licensing fees; (ii) sharing of iQIYI's revenue/income generated from the Audiovisual Works between iQIYI and the Group; or (iii) a mixture of (i) and (ii), after arm's length negotiation between the parties with reference to the prevailing market price and various related commercial factors, including the genre, nature, popularity, quantity, quality and commercial potential of the Audiovisual Works. For details of the pricing policies under the 2022 Copyrights Licensing Framework Agreement, please refer to the announcement of the Company dated December 2, 2021 and the circular of the Company dated January 4, 2022.

2022 Drama Series Copyrights Purchasing Framework Agreement

The licensing fees payable by the Group to iQIYI under the 2022 Drama Series Copyrights Purchasing Framework Agreement will be determined after arm's length negotiation between the parties based on the following formula:

(a) if the Group acts as a distribution agent of iQIYI's drama series (i.e. The Group provides agency services for distribution of iQIYI's drama series and generates revenue from further licensing the copyrights of such drama series to other broadcasting platforms, TV channels or third-party agents), the licensing fees payable by the Group to iQIYI will be determined based on the below formula:

    Licensing fees payable by the Group = copyrights distribution revenue × (1 – target agency distribution fee rate)

(b) if the Group distributes the copyrights of iQIYI's drama series by way of outright purchasing (i.e. the Group purchases the copyrights of iQIYI's drama series outright and pays a fixed amount of copyrights licensing fees to iQIYI), the licensing fees payable by the Group to iQIYI will be determined based on the below formula:

    Licensing fees payable by the Group = expected number of episodes × purchasing price for copyrights of each episode

For details of the pricing policies under the 2022 Drama Series Copyrights Purchasing Framework Agreement, please refer to the announcement of the Company dated November 14, 2022 and the circular of the Company dated December 6, 2022.

CONNECTED TRANSACTIONS (CONT'D)

Non-exempt Continuing Connected Transactions (cont'd)

Annual Caps and Historical Amounts during the Reporting Period

The annual caps and historical amounts of the total amount of fees receivable/payable by the Group under the non-exempt continuing connected transactions for the year ended December 31, 2024 are set out below:

	For the year ended December 31, 2024	
	Annual cap (RMB in millions)	Historical amount (RMB in millions)
Total amount of fees receivable under the 2022 Made-to-order Drama Series Production Framework Agreement	**1,141.0**	**–**
Total amount of fees receivable under the 2022 Copyrights Licensing Framework Agreement	**2,340.0**	**886.0**
Total amount of fees payable under the 2022 Drama Series Copyrights Purchasing Framework Agreement	**437.0**	**233.1**

Listing Rules Implications

iQIYI is the holding company of Taurus Holding, a substantial Shareholder, and hence an associate of Taurus Holding.

Therefore, the transactions contemplated under the 2022 Made-to-order Drama Series Production Framework Agreement, the 2022 Copyrights Licensing Framework Agreement, and the 2022 Drama Series Copyrights Purchasing Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules as iQIYI is a connected person of the Company.

As the highest applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of the above-mentioned transactions, on an annual basis, exceed 5%, such transactions will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS (CONT'D)

Non-exempt Continuing Connected Transactions (cont'd)

Annual Review by the Independent Non-executive Directors and the Auditors

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set out above conducted by the Group during the Reporting Period has followed the pricing principles of such continuing connected transactions.

The independent non-executive Directors had reviewed the above continuing connected transactions and confirmed that these transactions had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to the Company; and

(iii) in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Board engaged the auditor of the Company to report on Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company has provided a letter to the Board containing its findings and conclusions, confirming that:

(i) nothing has come to its attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to its attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policy of the Group;

(iii) nothing has come to its attention that cause to the auditor to believe that the transactions were not conducted into, in all material respects, in accordance with the relevant transaction agreement governing such transactions; and

(iv) with respect to the aggregate amount of each of the abovementioned continuing connected transactions, nothing has come to its attention that causes the auditor to believe that the amounts have exceeded the annual cap set by the Company.

RELATED PARTY TRANSACTIONS

Save as disclosed above, for the year ended December 31, 2024, there is no other related party transaction or continuing related party transaction set out in Note 34 to the financial statements which constitutes discloseable connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules (as amended from time to time).

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, the Company's Controlling Shareholders have executed the Deed of Non-competition in favor of the Company on December 18, 2020. Pursuant to the Deed of Non-competition, the Controlling Shareholders and/or their respective close associates (other than members of the Group) have confirmed that as of the date of the Deed of Non-competition, neither of the Controlling Shareholders or their respective close associates (other than members of the Group) have, in any form, engaged in, assisted or supported any third party in the operation of, participate, or have any interest in, any business that, directly or indirectly, competes or will compete or may compete with the business carried on or contemplated to be carried on by any member of the Group from time to time, namely investment, development, production and distribution of TV series, web series and films.

Each of them has confirmed in writing to the Company of their compliance with the Deed of Non-competition for disclosure in this annual report during the year ended December 31, 2024. No new business opportunity was informed by them as of December 31, 2024.

The independent non-executive Directors have reviewed the implementation of the Deed of Non-competition and are of the view that the non-competition undertakings have been complied with for the year ended December 31, 2024.

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 (including sale of treasury shares ("treasury shares" shall have the meaning given to it in the Listing Rules)) during the Reporting Period. The Company did not hold any treasury shares as of December 31, 2024.

PRE-EMPTIVE RIGHTS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 34 to the financial statements and in the section headed "Connected Transactions" of Directors' Report in this report, neither contract of significance made between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, nor contract of significance made for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the Reporting Period or subsisted as of December 31, 2024.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DONATIONS

During the Reporting Period, the Group made charitable and other donations in an aggregate amount of RMB0.04 million.

SIGNIFICANT LEGAL PROCEEDINGS

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

PERMITTED INDEMNITY PROVISION

In accordance with article 192 of the Articles of Association, the Directors and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has maintained directors' liability insurance to protect the Directors against any potential losses arising from his/her actual or alleged misconduct.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 75 to 93 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25.0% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Reporting Period and as of the date of this report.

AUDIT COMMITTEE

The Audit Committee has, together with the management and auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2024.

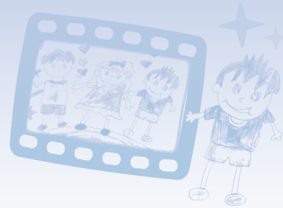
AUDITOR

The Company has appointed Ernst & Young as the auditor of the Company for the year ended December 31, 2024. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Ernst & Young as the auditor of the Company.

By order of the Board

Mr. Liu Xiaofeng
Chairman

Nanjing, PRC, April 28, 2025



The Board is pleased to present the corporate governance report of the Company for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the interest of the Company and its Shareholders.

The Company has adopted the applicable code provisions as set out in the CG Code as set out in Part 2 of Appendix C1 to the Listing Rules. Save as disclosed in this report, the Board considered that the Company has complied with applicable code provisions set out in the CG Code during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 in the CG Code as set out in Part 2 of Appendix 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 had not segregated the roles of its Chairman and chief executive officer. The Board will continue to review and consider splitting the roles of Chairman and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

THE BOARD

Board Composition

As of the date of this annual report, the Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. The Directors for the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Liu Xiaofeng *(Chairman)*
Mr. Chen Chen *(retired on June 12, 2024)*
Ms. Zhai Fang

Non-executive Directors

Mr. Wang Xiaohui
Ms. Liu Fan

Independent Non-executive Directors

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

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

Independent Non-executive Directors

For the Reporting Period, the Board has at all times met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

For the Reporting Period, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent.

THE BOARD (CONT'D)

Appointment and Re-election of Directors

Each of the Directors (including non-executive Directors) has entered into a service contract or an appointment letter with the Company, under which they agreed to act as Directors for a term of three years commenced from June 9, 2023 subject to retirement by rotation and re-election in accordance with the Articles of Association and the Listing Rules, until terminated in accordance with the terms and conditions of the service contract or the appointment letter.

Details of the Directors' service contracts and letters of appointment are set out in the section headed "Directors' Report – Service Contracts and Letters of Appointment" in this annual report.

In accordance with article 109(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Accordingly, Mr. Liu Xiaofeng, Mr. Ma Zhongjun and Mr. Chung Chong Sun shall retire by rotation at the AGM, and they being eligible, will offer themselves for re-election at the AGM. Details of the Directors to be re-elected at the AGM will be set out in the circular to be despatched to the Shareholders in due course.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company and the Shareholders as a whole.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

THE BOARD (CONT'D)

Responsibilities, Accountabilities and Contributions of the Board and Management (cont'd)

All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance cover to protect Directors from possible legal action against them.

Remuneration of Directors and Senior Management

Details of the remuneration of the members of the Board for the year ended December 31, 2024 are set out in Note 8 to the financial statements in this annual report.

The remuneration of the senior management by band during the year ended December 31, 2024 are set out below:

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

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

THE BOARD (CONT'D)

Continuous Professional Development of Directors (cont'd)

A summary of trainings received by the Directors during the Reporting Period is as follows:

Name of Directors	Nature of Continuous Professional Development Programme
Executive Directors	
Mr. Liu Xiaofeng *(Chairman)*	(1) & (2)
Mr. Chen Chen *(retired on June 12, 2024)*	(1) & (2)
Ms. Zhai Fang	(1) & (2)
Non-executive Directors	
Mr. Wang Xiaohui	(1) & (2)
Ms. Liu Fan	(1) & (2)
Independent Non-executive Directors	
Mr. Zhang Senquan	(1) & (2)
Mr. Ma Zhongjun	(1) & (2)
Mr. Chung Chong Sun	(1) & (2)

Notes:

(1) Attending the training for Director covering a wide range of topics, including but not limited to the anti-corruption, the ESG reporting standards, the laws applicable to the Company and the Company's continuing compliance obligations;

(2) Reading relevant guideline materials regarding the amendments to and review of provisions of the Listing Rules, etc.

Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of the Board that are relevant to the business growth. Pursuant to the Board Diversity Policy, the Company seeks to achieve diversity of the Board through the consideration of a number of factors when selecting candidates to the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, with reference to the Company's business model and specific needs.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee.

THE BOARD (CONT'D)

Diversity Policy (cont'd)

As of the date of this report, the Company has seven Directors, consisting of two executive Directors (including Mr. Liu Xiaofeng and Ms. Zhai Fang), two non-executive Directors (including Mr. Wang Xiaohui and Ms. Liu Fan) and three independent non-executive Directors (including Mr. Ma Zhongjun, Mr. Zhang Senquan and Mr. Chung Chong Sun). The two executive Directors have performed operating and management roles in the media industry and equity investment for many years and have rich experience in production, sales, marketing and distribution of TV series, financial management, corporate operation and equity investment. The two non-executive Directors have rich experience in journalism, content business, investment banking and secondary market investment. The three independent non-executive Directors are experts in film and television industry, accounting, auditing, financing and capital operations. They are capable of providing professional advice to the Company on various areas. Among them, two are female Directors (representing 28.6% of the Board), thus has achieved gender diversity in respect of the Board. In view of the current situation of the Directors, the Nomination Committee is of the view that the composition of the Board is diversified. The Board targets to maintain at least the current level of female representation. The Board will continue to take opportunities to increase the proportion of female members overtime as and when suitable candidates are identified.

The Company's diversity philosophy (including the gender diversity) was generally followed in the workforce throughout the Group for the year ended December 31, 2024. As of the date of this report, 62.3% of the Group's total workforce (including senior management) are female. The Company targets to maintain a high level of female representation in the Group's workforce.

The Company will also ensure that there is gender diversity and no gender biases when recruiting staff at mid to senior level with diverse interview panel. The Company is committed to building a healthy, diverse and inclusive workplace and retaining a diverse workforce by providing unconscious-bias management training and more strategic, transparent, and fair career developmental opportunities for each staff, and continually improving the Company's inclusive culture, so that the Company will be able to proactively build a gender-diverse pipeline of senior management and potential successors to the Board. There are no mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Stock Exchange and the Company and are available to Shareholders upon request.

Rule 3.21 of the Listing Rules requires the Audit Committee to comprise non-executive directors only, with a minimum of three members with independent non-executive directors in majority and at least one member with appropriate professional qualifications or accounting or related financial management expertise. The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" in this annual report.

BOARD COMMITTEES (CONT'D)

Audit Committee

As of the date of this report, the Audit Committee consists of two independent non-executive Directors and one non-executive Director, being Mr. Zhang Senquan (chairman of the Audit Committee who holds appropriate accounting qualifications), Ms. Liu Fan and Mr. Chung Chong Sun.

The main duties of the Audit Committee are to assist the Board in reviewing compliance, accounting policies, financial reporting procedures and risk management and internal control systems; supervising the implementation of the internal audit system; advising on the appointment or replacement of external auditors; and liaising between the internal audit department and external auditors.

During the Reporting Period, the Audit Committee held two meetings, which were attended by all members of the Audit Committee, and reviewed, among other things, the audit plan for the year ended December 31, 2023 and the audit plan for the year ended December 31, 2024, the audited consolidated financial statements of the Group for the year ended December 31, 2023, the unaudited consolidated financial statements of the Group for the six months ended June 30, 2024, and the effectiveness of the risk management and internal control systems and internal audit function of the Company.

According to code provision D.3.3(e)(i) of the CG Code and the terms of reference of the Audit Committee of the Company, the Audit Committee must meet, at least twice a year, with the Company's auditors. The members of Audit Committee met twice with the external auditor during the year ended December 31, 2024.

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

Name of Directors	Attended/Eligible to attend
Mr. Zhang Senquan *(Chairman)*	2/2
Ms. Liu Fan	2/2
Mr. Chung Chong Sun	2/2

BOARD COMMITTEES (CONT'D)

Remuneration Committee

As of the date of this report, the Remuneration Committee consists of two independent non-executive Directors and one executive Director, being Mr. Ma Zhongjun (chairman of the Remuneration Committee), Mr. Liu Xiaofeng and Mr. Chung Chong Sun.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration package of each Director and senior management, the remuneration policy and structure for all Directors and senior management, reviewing and approving compensations payable to the Directors and senior management, and reviewing and/or approving matters relating to share schemes.

During the Reporting Period, the Remuneration Committee held one meeting, which was attended by all members of the Remuneration Committee, and reviewed, among other things, the remuneration packages of the Directors and the remuneration policy and packages of the Group's senior management.

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

Name of Directors	Attended/Eligible to attend
Mr. Ma Zhongjun *(Chairman)*	1/1
Mr. Liu Xiaofeng	1/1
Mr. Chung Chong Sun	1/1

Nomination Committee

As of the date of this report, the Nomination Committee consists of two independent non-executive Directors and one executive Director, being Mr. Ma Zhongjun (chairman of the Nomination Committee), Mr. Liu Xiaofeng and Mr. Chung Chong Sun.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

BOARD COMMITTEES (CONT'D)

Nomination Committee (cont'd)

The Nomination Committee will recommend to the Board for the appointment of a Director including an independent non-executive Director in accordance with the following selection criteria and nomination procedures:

(a) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, having due regard to the Board Diversity Policy, the requirements in the Company's constitution, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experiences, independence and gender diversity;

(b) assess the independence of independent non-executive Directors to determine their eligibility with reference to the factors set out in Rule 3.13 of the Listing Rules and any other factors deemed appropriate by the Nomination Committee or the Board. If a proposed independent non-executive Director will be holding his/her seventh (or more) listed company directorship, to assess his/her ability to devote sufficient time to the Board matters; and

(c) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in light of this evaluation prepare a description of the role and capabilities required for a particular appointment.

During the Reporting Period, the Nomination Committee held one meeting, which was attended by all members of the Nomination Committee, and reviewed, among other things, the structure, size and composition of the Board, assessed the independence of independent non-executive Directors to determine their eligibility and discussed the re-appointment of Directors and succession planning for Directors.

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

Name of Directors	Attended/Eligible to attend
Mr. Ma Zhongjun *(Chairman)*	1/1
Mr. Liu Xiaofeng	1/1
Mr. Chung Chong Sun	1/1

Environmental, Social and Governance Committee

As of the date of this report, the Environmental, Social and Governance Committee consists of two executive Directors and one independent non-executive Director, being Mr. Liu Xiaofeng (chairman of the Environmental, Social and Governance Committee), Ms. Zhai Fang and Mr. Zhang Senquan.

BOARD COMMITTEES (CONT'D)

Environmental, Social and Governance Committee (cont'd)

The principal duties of the Environmental, Social and Governance Committee include (i) guiding and formulating the Group's environmental, social and governance ("**ESG**") vision, objectives, strategies and structure to ensure that they are in line with the needs of the Group and comply with applicable laws, regulations, regulatory requirements and international standards; (ii) monitoring the development and implementation of the Group's ESG vision, strategies and structure; (iii) guiding and reviewing the identification and ranking of important ESG issues of the Group; (iv) reviewing the key ESG trends and related risks and opportunities, and assessing the adequacy and effectiveness of the Group's ESG structure accordingly; (v) monitoring the channels and means of communication with the Group's stakeholders and ensuring that the relevant policies are in place to effectively promote the relationship between the Group and its stakeholders and protect the Group's reputation; (vi) reviewing the Company's ESG report and other ESG related disclosures, and making recommendations to the Board in order to maintain the integrity of the ESG report and other ESG related disclosure of the Company; and (vii) ensuring that the Company's ESG report is prepared in accordance with the ESG Reporting Guide set out in Appendix C2 to the Listing Rules.

During the Reporting Period, the Environmental, Social and Governance Committee held two meetings, which were attended by all members of the Environmental, Social and Governance Committee, and reviewed, among other things, the development and implementation of the Group's ESG vision, strategies and structure, the identification and ranking of important ESG issues of the Group, key ESG trends and related risks and opportunities, the adequacy and effectiveness of the Group's ESG structure, and ESG related disclosures.

Attendance of each Environmental, Social and Governance Committee member is set out in the table below:

Name of Directors	Attended/Eligible to attend
Mr. Liu Xiaofeng *(Chairman)*	2/2
Ms. Zhai Fang	2/2
Mr. Zhang Senquan	2/2

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board developed, reviewed and monitored the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and compliance manual applicable to employees and Directors, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the relevant papers and are adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries of the Company with copies circulated to all Directors or Board committee members for information and records.

Minutes of the Board meetings and Board committee meetings are recorded in sufficient details about the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors/Board committee members. Draft and final versions of the minutes of each Board meeting and Board committee meeting are sent to the Directors/Board committee members for comments and records respectively within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

Attendance Records of Board and General Meetings

According to code provision C.5.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. According to code provision C.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.

During the Reporting Period, the Board held six meetings, and considered, among other things, (i) the 2023 annual results and annual report; and (ii) the 2024 interim results and interim report. One Board meeting was held on March 26, 2025, which was attended by all members of the Board, to consider and approve the audited consolidated financial statements of the Group for the year ended December 31, 2024.

BOARD MEETINGS (CONT'D)

Attendance Records of Board and General Meetings (cont'd)

The attendance record of each Director at the Board and general meetings of the Company held during the Reporting Period is set out in the table below:

Name of Directors	Attended/Eligible to attend Board	General meeting
Executive Directors		
Mr. Liu Xiaofeng *(Chairman)*	6/6	2/2
Mr. Chen Chen *(retired on June 12, 2024)*(1)	2/3	1/1
Ms. Zhai Fang	6/6	2/2
Non-executive Directors		
Mr. Wang Xiaohui	6/6	2/2
Ms. Liu Fan	6/6	2/2
Independent Non-executive Directors		
Mr. Zhang Senquan	6/6	2/2
Mr. Ma Zhongjun	6/6	2/2
Mr. Chung Chong Sun	6/6	2/2

Note:

(1) Mr. Chen Chen retired as an executive Director with effect from June 12, 2024 in order to devote more time and effort to taking care of his family.

Apart from regular Board meetings, the Chairman also held a meeting with independent non-executive Directors without the presence of other Directors during the Reporting Period.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2024.

The management has provided to the Board such explanations and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with updates on the Group's performance, positions and prospects from time to time.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 94 to 98 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid/payable to the external auditor of the Company, Ernst & Young, for the year ended December 31, 2024, is set out below:

Type of Services	Amount (RMB)
Audit services	2,800,000
Non-audit services (i.e. tax consultation)	81,688
Total	**2,881,688**

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control measures and reviewing their effectiveness, and is also responsible for reviewing the effectiveness of the Group's internal control and risk management systems on, at least, an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, to promote effective and efficient operations, to ensure reliable financial reporting and compliance with applicable laws and regulations, as well as to safeguard the Group's assets and Shareholders' interests, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management and internal control system of the Group comprises a well-established organisational structure and comprehensive policies and standards.

The Group's risk management and internal control measures focus primarily on (i) financial risk management; (ii) strategy risk management; (iii) operational risk management; and (iv) compliance control risk management.

The Group also has an internal audit function, which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control measures, and reports their findings to the Board on, at least, an annual basis. The Company implements and strictly enforces procedures on inside information according to the relevant procedures stated under the "Guidelines on Disclosure of Inside Information" promulgated by the SFC in June 2012.

RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

The Company has established a dynamic risk management process, continuously improves the risk management capability to ensure the sustainable development of the Group:

- business and functional departments of each operation line identify, assess and respond to risks in the course of operation in a systematic manner, escalating concerns and communicating results to the internal audit department;

- the internal audit department collects, analyses, and consolidates a list of significant risks at the company level, and provides input on risk response strategies and control measures for such risks. The corresponding risk responses and control measures against these significant risks will be reviewed by the Audit Committee before reporting to the Board;

- the internal audit department reviews and evaluates the responses to significant risks from time to time, and reports to the Audit Committee at least once a year; and

- the Audit Committee, on behalf of the Board, reviews the construction, implementation and supervision of the Group's risk management and internal control, and review the effectiveness of the Group's risk management and internal control system. The Audit Committee provides guidance to the Company's management to implement effective risk management system with supports from the internal audit department.

The Board has reviewed the effectiveness of the risk management and internal control measures of the Group for the year ended December 31, 2024 to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards, and to resolve material internal control defects. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes, intellectual property protection system and budget of the Company's accounting, internal audit and financial reporting functions and the Company's ESG performance and reporting to be adequate. The review was conducted through discussions with the management of the Company, its external auditors and the assessment performed by the Audit Committee.

The Board considers that the current risk management and internal control measures are appropriate and effectively and adequately cover the existing businesses of the Group, and will continue to be optimised in line with the business development of the Group.

JOINT COMPANY SECRETARIES

Ms. Zhai, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board's policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. Zhang Xiao, an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (a company secretarial service provider), as the other joint company secretary to assist Ms. Zhai to discharge her duties as company secretary of the Company during the Reporting Period. The primary corporate contact person at the Company is Ms. Zhai.

During the year ended December 31, 2024, Ms. Zhai and Ms. Zhang Xiao were fully in compliance with the Rule 3.29 of the Listing Rules as Ms. Zhai and Ms. Zhang Xiao received no less than 15 hours of professional training.

DIVIDEND POLICY

Subject to the requirements of the Articles of Association, Cayman Islands law and other applicable laws and regulation, the Board has absolute discretion to recommend any dividend. The determination to pay dividends will be made at the discretion of the Board and will depend upon the Group's operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that the Directors consider relevant. The Company will continue to re-evaluate its dividend policy in light of its financial condition and the prevailing economic environment.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared by the Company until claimed and, notwithstanding any entry in any books of the Company may be invested or otherwise made use of by the Board for the benefit of the Company or otherwise howsoever, and the Company shall not constitute a trustee in respect thereof. All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall be reverted to the Company and, in the case where any of the same are securities of the Company, may be re-allotted or re-issued for such consideration as the Board thinks fit and the proceeds thereof shall accrue to the benefit of the Company absolutely.

BOARD INDEPENDENCE EVALUATION MECHANISM

Under code provision B.1.4 of the CG Code, the Board is required to establish mechanism(s) to ensure independent views and input are available to the Board and the Board should review the implementation and effectiveness of such mechanism(s) on an annual basis.

The Board has adopted the board independence evaluation mechanism (the "**Mechanism**") which sets out the principles and guidelines for the Company to ensure independent view and input to be available to the Board.

The following mechanisms have been established by the Board:

- The Nomination Committee is established with clear terms of reference to identify suitable candidates, including independent non-executive Directors, for appointment as Directors.

- The nomination policy is in place with details of the process and criteria of identifying, selecting, recommending, cultivating and integrating new directorship.

- For independent non-executive Directors:

  - Every independent non-executive Director is required to confirm in writing to the Company his/her independence upon his/her appointment as a Director with reference to such criteria as stipulated in the nomination policy as well as the Listing Rules;

  - Each independent non-executive Director has to declare his/her past or present financial or other interests in the Group's business as soon as practicable, or his/her connection with any of the Company's connected persons (as defined in the Listing Rules), if any;

  - Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence.

- The Nomination Committee will assess annually the independence of all independent non-executive Directors and affirm if each of them still satisfies the criteria of independence as set out in the Listing Rules and is free from any relationships and circumstances which are likely to affect, or could appear to affect, their independent judgement. Every Nomination Committee member should abstain from assessing his/her own independence.

- Where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, it will set out in the circular to shareholders the reasons it believes he/she should be elected and the reasons it considers him/her to be independent.

- A mechanism is in place for Directors to seek independent professional advice in performing their duties at the Company's expense.

- Directors are encouraged to access and consult with the Company's senior management independently, if necessary.

BOARD INDEPENDENCE EVALUATION MECHANISM (CONT'D)

- Annual review on Board independence (the "**Board Independence Evaluation**") will be conducted, with attention to ensuring that it remains independent in judgement, and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the management.

- The Board Independence Evaluation may take in the form of a questionnaire to all Directors individually and may be supplemented by individual interview with each Director, if necessary, and/or in any other manners which the Board considers fit and necessary.

- The Board Independence Evaluation report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

- The results of the Board Independence Evaluation or a summary of the findings of the said evaluation will be disclosed in the Corporate Governance Report for accountability and transparency purposes.

- The aforesaid Board Independence Evaluation will be regarded as an ongoing exercise of the Company while the Company may seek assistance from external consultant if an external evaluation on the same subject is needed.

The Board has reviewed the implementation of the Mechanism for the year ended December 31, 2024 and considered that the Mechanism is effective in ensuring that independent views and input are providing to the Board.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

In accordance with article 64 of the Articles of Association, any one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a vote per share basis) in the share capital of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may put forward proposals for consideration at a general meeting of the Company according to article 64 of the Articles of Association requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of article 64 are set out above.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

SHAREHOLDERS' RIGHTS (CONT'D)

Enquiries to the Board

Shareholders and investors who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at Room 2508, Building A Wanda Plaza, No. 98, Jiangdong Zhong Road, Jianye District, Nanjing, Jiangsu, PRC (email address: ir@strawbearfilm.com).

Changes to the contact details above will be communicated through the Company's website (www.strawbearentertainment.com), which also contains information and updates on the Group's business developments and operations, as well as press releases and financial information.

COMMUNICATION WITH SHAREHOLDERS

To ensure the Shareholders and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company, the Company has adopted a shareholder's communication policy (the "**Policy**"). According to the Policy, information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website. The policy has been reviewed regularly by the Board to ensure its effectiveness. A summary of the Policy is set out below and the full text of which has been published on the Company's website (www.strawbearentertainment.com) for public information.

Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's registrar.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders and the investment community shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

Corporate Communication

Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

COMMUNICATION WITH SHAREHOLDERS (CONT'D)

Corporate Website

A dedicated investor relations section is available on the Company's website (www.strawbearentertainment.com). Information on the Company's website is updated on a regular basis.

Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents, etc.

All presentation materials provided in conjunction with the Company's annual general meeting and results announcement each year will be made available on the Company's website as soon as practicable after their release.

Shareholders' Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

Appropriate arrangements for the annual general meetings shall be in place to encourage Shareholders' participation.

The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

Board members, in particular, either the chairmen of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions.

Shareholders are encouraged to attend shareholders' activities organised by the Company, where information about the Company, including its latest strategic plan, products and services, etc., will be communicated.

Investment Market Communications

Investor/analysts briefings and one-on-one meetings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums, etc., will be available on a regular basis in order to facilitate communication between the Company, Shareholders and the investment community.

Having considered the various existing channels of communication and the feedbacks from the Shareholders, investors and analysts, the Board considers that the Policy has been properly implemented and effective during the year ended December 31, 2024.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted the Articles of Association on December 18, 2020, which has been effective from the Listing Date and was subsequently amended on June 9, 2022.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent auditor's report
To the shareholders of Strawbear Entertainment Group
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Strawbear Entertainment Group (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 99 to 198, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONT'D)

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill	
The carrying amount of goodwill at 31 December 2024 was RMB108,341,000. The Group performs its impairment testing of goodwill on an annual basis. Management's annual impairment testing is important to our audit because the assessment process is complex and requires significant judgement and estimates including the allocation of goodwill to the cash-generating unit, annual revenue growth rate, pre-tax discount rate and terminal growth rate. The Group's disclosures about the impairment testing of goodwill are included in notes 2.4, 3 and 15 to the financial statements.	We evaluated management's allocation of goodwill to the cash-generating unit within the Group. We reviewed and tested management's future forecasted cash flows and key assumptions by comparing them to the Group's development plan, budget, financial projections and analysis of the industry. We involved our valuation specialists to assist us in evaluating the key valuation parameters such as the pre-tax discount rate, the terminal growth rate applied and the valuation model with forecasted cash flows. We also assessed the adequacy of the related disclosures about the impairment testing of goodwill in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Write-down of inventories	
As at 31 December 2024, the Group had inventories with a carrying amount of RMB1,233,034,000, which is stated at the lower of cost and net realisable value. The Group's management reviews the condition of inventories of the Group and makes provisions for obsolete and slow-moving inventory items. The Group carries out an inventory review on a project-by-project basis at the end of each reporting period and makes provisions for obsolete projects. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of producing and distributing drama series of a similar nature. The Group's disclosures about the write-down of inventories are included in notes 2.4, 3 and 19 to the financial statements.	We evaluated management's net realisable value test and the rationale for the write-down of inventories by reviewing management's business plans with reference to the market situation, analysis of the recent production progress of the drama series and public information on the production plan and production progress of the drama series, if any. We tested the ageing of inventories and discussed the long-ageing inventories with management to identify any slow-moving, excess or obsolete items. We performed a recalculation of the net realisable value test by checking the selling price against the pre-sale contracts, if any, and the total budgeted cost for each project.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	**2024 RMB'000**	2023 RMB'000
REVENUE	*5*	**1,124,537**	840,663
Cost of sales		**(973,067)**	(777,406)
Gross profit		**151,470**	63,257
Other income and gains	*5*	**13,346**	15,569
Selling and distribution expenses		**(39,252)**	(56,698)
Administrative expenses		**(79,014)**	(102,239)
Impairment of financial assets, net	*6*	**(14,677)**	(23,510)
Other expenses		**(2,493)**	(778)
Finance costs	*7*	**(14,088)**	(14,248)
Share of profits and losses of:			
Joint ventures	*17*	**(235)**	(452)
Associates	*18*	**(748)**	1,613
PROFIT/(LOSS) BEFORE TAX	*6*	**14,309**	(117,486)
Income tax (expense)/credit	*10*	**(17,269)**	9,977
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(2,960)**	(107,509)
Attributable to:			
Owners of the parent		**(2,124)**	(109,307)
Non-controlling interests		**(836)**	1,798
		(2,960)	(107,509)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*12*	**(0.3) cents**	(16.1) cents
Diluted (RMB)	*12*	**(0.3) cents**	(16.1) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**4,627**	4,931
Right-of-use assets	*14(a)*	**7,601**	7,830
Goodwill	*15*	**108,341**	108,341
Other intangible assets	*16*	**17,405**	8
Investments in joint ventures	*17*	**1,494**	1,314
Investments in associates	*18*	**6,070**	21,432
Financial assets at fair value through profit or loss	*22*	**10,876**	–
Deferred tax assets	*27*	**14,334**	20,474
Total non-current assets		**170,748**	164,330
CURRENT ASSETS			
Inventories	*19*	**1,233,034**	1,308,481
Trade and notes receivables	*20*	**647,816**	554,173
Prepayments, other receivables and other assets	*21*	**435,951**	328,325
Financial assets at fair value through profit or loss	*22*	**5,000**	11,147
Restricted cash	*23*	**–**	5
Pledged deposits	*23*	**92,289**	62,778
Cash and cash equivalents	*23*	**79,326**	154,389
Total current assets		**2,493,416**	2,419,298
CURRENT LIABILITIES			
Trade and notes payables	*24*	**293,835**	300,794
Other payables and accruals	*25*	**318,819**	224,421
Interest-bearing bank borrowings	*26*	**283,300**	278,663
Lease liabilities	*14(b)*	**4,604**	3,614
Tax payable		**966**	2,770
Total current liabilities		**901,524**	810,262
NET CURRENT ASSETS		**1,591,892**	1,609,036
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,762,640**	1,773,366

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*26*	–	28,000
Lease liabilities	*14(b)*	1,915	3,321
Deferred tax liabilities	*27*	7,384	2,727
Total non-current liabilities		9,299	34,048
Net assets		1,753,341	1,739,318
EQUITY			
Equity attributable to owners of the parent			
Share capital	*28*	115	114
Treasury shares	*28*	(28,820)	(37,375)
Reserves	*29*	1,782,070	1,775,767
		1,753,365	1,738,506
Non-controlling interests		(24)	812
Total equity		1,753,341	1,739,318

Mr. Liu Xiaofeng
Director

Ms. Zhai Fang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent									
	Share capital RMB'000 *(note 28)*	Share premium RMB'000 *(note 28)*	Capital reserve RMB'000 *(note 29)*	Statutory surplus reserve RMB'000 *(note 29)*	Treasury shares RMB'000 *(note 28)*	Share award and option reserve RMB'000 *(note 29)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	113	1,383,391	10,096	14,931	(42,651)	94,571	366,181	1,826,632	(1,026)	1,825,606
Total comprehensive loss for the year	–	–	–	–	–	–	(109,307)	(109,307)	1,798	(107,509)
Equity-settled share award and option arrangements	–	–	–	–	–	21,469	–	21,469	–	21,469
Share options exercised	1	7,715	–	–	–	(7,715)	–	1	–	1
Repurchase of shares	–	–	–	–	(289)	–	–	(289)	–	(289)
Restricted share units vested	–	3,975	–	–	5,565	(9,540)	–	–	–	–
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	40	40
At 31 December 2023	114	1,395,081	10,096	14,931	(37,375)	98,785	256,874	1,738,506	812	1,739,318

	Attributable to owners of the parent									
	Share capital RMB'000 *(note 28)*	Share premium RMB'000 *(note 28)*	Capital reserve RMB'000 *(note 29)*	Statutory surplus reserve RMB'000 *(note 29)*	Treasury shares RMB'000 *(note 28)*	Share award and option reserve RMB'000 *(note 29)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024	114	1,395,081	10,096	14,931	(37,375)	98,785	256,874	1,738,506	812	1,739,318
Total comprehensive loss for the year	–	–	–	–	–	–	(2,124)	(2,124)	(836)	(2,960)
Equity-settled share award and option arrangements	–	–	–	–	–	16,982	–	16,982	–	16,982
Share options exercised	1	11,573	–	–	–	(11,573)	–	1	–	1
Restricted share units vested	–	(773)	–	–	8,555	(7,782)	–	–	–	–
At 31 December 2024	115	1,405,881*	10,096*	14,931*	(28,820)	96,412*	254,750*	1,753,365	(24)	1,753,341

* These reserve accounts comprise the consolidated reserves of RMB1,782,070,000 (2023: RMB1,775,767,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**14,309**	(117,486)
Adjustments for:			
Depreciation of property, plant and equipment	*13*	**1,980**	1,580
Depreciation of right-of-use assets	*14(a)*	**5,005**	4,012
Amortisation of other intangible assets	*16*	**3**	3
Interest income from loans receivable		**(4,171)**	(6,881)
Share of losses of joint ventures	*17*	**235**	452
Share of losses/(profits) of associates	*18*	**748**	(1,613)
Finance costs	*7*	**14,088**	14,248
Equity-settled share award and option expenses		**15,184**	19,420
Changes in fair value of financial assets at fair value through profit or loss		**1,124**	255
Investment income from financial assets at fair value through profit or loss		**(53)**	–
Foreign exchange differences, net		**89**	380
Loss on disposal of items of property, plant and equipment		**–**	29
Gain on bargain purchase	*31*	**(27)**	–
Gain on step acquisition of a subsidiary	*18*	**(163)**	–
Write-down of inventories to net realisable value		**17,598**	16,950
Impairment of financial assets, net		**14,677**	23,510
		80,626	(45,141)
Decrease/(increase) in inventories		**69,734**	(212,005)
Increase in trade and notes receivables		**(84,727)**	(33,298)
(Increase)/decrease in prepayments, other receivables and other assets		**(121,540)**	36,482
Decrease in restricted cash		**5**	43,195
Decrease in financial assets at fair value through profit or loss		**11,147**	–
(Decrease)/increase in trade and notes payables		**(8,054)**	99,223
Increase in other payables and accruals		**81,189**	66,244
Cash generated from/(used in) operations		**28,380**	(45,300)
Income tax paid		**(10,965)**	(20,001)
Income tax refunded		**5,547**	11,456
Net cash flows from/(used in) operating activities		**22,962**	(53,845)

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Net cash flows from/(used in) operating activities		**22,962**	(53,845)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,894)**	(2,409)
Interest received from loans receivable		**124**	2,722
Investment in associates		**(130)**	(15,020)
Acquisition of a subsidiary	*31*	**(8,598)**	–
Advances of loans to third parties		**(28,000)**	(8,000)
Repayment of loans advances to third parties		**9,700**	10,000
Decrease/(increase) in an amount due from a director		**1,405**	(1,405)
Placement of pledged time deposits		**(92,958)**	(1,285)
Withdrawal of pledged time deposits		**63,447**	–
Purchases of financial assets at fair value through profit or loss		**(17,000)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**9,753**	–
Disposal of a subsidiary		**6,463**	2,000
Net cash flows used in investing activities		**(57,688)**	(13,397)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling interests		**–**	40
Proceeds from exercise of share options		**1**	1
New bank loans		**294,365**	340,000
Repayment of bank loans		**(317,965)**	(306,100)
Repayment of borrowings from third parties		**–**	(3,000)
Interest paid		**(11,457)**	(12,644)
Repurchase of shares		**–**	(289)
Principal portion of lease payments	*32(b)*	**(5,192)**	(4,046)
Net cash flows (used in)/from financing activities		**(40,248)**	13,962

	Notes	2024 RMB'000	2023 RMB'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(74,974)**	(53,280)
Effect of foreign exchange rate changes, net		**(89)**	(380)
Cash and cash equivalents at beginning of year		**154,389**	208,049
CASH AND CASH EQUIVALENTS AT END OF YEAR		**79,326**	154,389
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*23*	**79,326**	123,577
Non-pledged time deposits with original maturity of less than three months when acquired	*23*	**–**	30,812
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**79,326**	154,389

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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Strawbear Pictures Limited	British Virgin Islands 9 January 2018	US$1,000	100	–	Investment holding
Strawbear Film Limited	Hong Kong 31 January 2018	US$1,000	–	100	Investment holding
Nanjing Strawbear Business Consulting Co., Ltd. ("**Nanjing Strawbear**") (南京稻草熊商務諮詢有限公司) *(note (a))*	People's Republic of China ("**PRC**")/ Mainland China 17 September 2018	US$1,000,000	–	100	Investment holding
Jiangsu Strawbear Film Co., Ltd. ("**Jiangsu Strawbear**") (江蘇稻草熊影業有限公司) *(note (b), (c))*	PRC/Mainland China 13 June 2014	RMB10,000,000	–	100	Investment in production, distribution and licensing of broadcasting rights of drama series
Beijing Strawbear Film Co., Ltd. (北京稻草熊影業有限公司) *(note (b), (c))*	PRC/Mainland China 2 September 2019	RMB3,000,000	–	100	Investment in production, distribution and licensing of broadcasting rights of drama series

1. CORPORATE AND GROUP INFORMATION (CONT'D)

Information about subsidiaries (cont'd)

Particulars of the Company's principal subsidiaries are as follows: (cont'd)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Yide Cultural Creativity Co., Ltd. ("**Hangzhou Yide**") (杭州懿德文化創意有限公司) *(note (b), (c))*	PRC/Mainland China 25 June 2015	RMB12,500,000	–	100	Production, distribution and licensing of broadcasting rights of drama series
Hainan Magic Stone Film and Television Media Co., Ltd. (海南魔石影視傳媒有限公司) *(note (b), (c))*	PRC/Mainland China 23 April 2021	RMB3,000,000	–	100	Investment in production, distribution and licensing of broadcasting rights of drama series
Hainan Jiujun Audio-Visual Communication Co., Ltd. (海南九珺視聽傳播有限公司) *(note (b), (c))*	PRC/Mainland China 6 July 2021	RMB3,000,000	–	80	Investment in production, distribution and licensing of broadcasting rights of drama series
Zhejiang Xiangliangliang Film and Television Culture Co., Ltd. (浙江響亮亮影視文化有限公司) *(note (b), (c))*	PRC/Mainland China 24 July 2023	RMB10,000,000	–	100	Investment in production, distribution and licensing of broadcasting rights of drama series
Sichuan Hongluzi Film Co., Ltd. (四川紅爐子影業有限公司) *(note (b), (c))*	PRC/Mainland China 18 October 2022	RMB10,000,000	–	100	Investment in production, distribution and licensing of broadcasting rights of drama series

1. CORPORATE AND GROUP INFORMATION (CONT'D)

Information about subsidiaries (cont'd)

Particulars of the Company's principal subsidiaries are as follows: (cont'd)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Shanghai Paihaoxi Film Co., Ltd. ("**Shanghai Paihaoxi**") (上海拍好戲影業有限公司) *(note (b), (c))*	PRC/Mainland China 19 September 2023	RMB11,764,700	–	100	Investment in production, distribution and licensing of broadcasting rights of drama series

Notes:

(a) This entity is registered as a wholly-foreign-owned enterprise under PRC law.

(b) These entities are limited liability enterprises established under PRC law.

(c) These entities are controlled by the Company through a series of contractual arrangements entered into between Nanjing Strawbear and these entities. These entities are collectively referred to as the "Consolidated Affiliated Entities".

During the year, the Group acquired an additional 85% equity interest in an associate, Shanghai Paihaoxi, from the independent third parties. Upon completion of the acquisition, Shanghai Paihaoxi and its subsidiary became wholly-owned subsidiaries of the Group. Further details of this acquisition are included in note 31 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) as 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 2024. 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.

2.1 BASIS OF PREPARATION (CONT'D)

Basis of consolidation (cont'd)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRS Accounting Standards are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)

The nature and the impact of the revised HKFRSs are described below: (cont'd)

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

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

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

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

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

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

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale* and *Discontinued Operations*.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Business combinations and goodwill (cont'd)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through comprehensive income and financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Electronic equipment	19.0% to 33.3%
Motor vehicles	19.0%
Office equipment	19.0%
Leasehold improvements	20.0% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 3 to 5 years.

Trademarks

Trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years, which is shorter of legal registered period and the period over which the trademark is expected to generate net cash inflows from the commercialisation of product.

Backlog

Backlog is stated at cost less any impairment loss and is amortised based on the consumption upon the fulfilment of the underlying contracts with customers.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Leases (cont'd)

Group as a lessee (cont'd)

(a) Right-of-use assets

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

Office premises	2 to 5 years

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

(b) Lease liabilities

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

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

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

(c) Short-term leases

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

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Investments and other financial assets (cont'd)

Subsequent measurement (cont'd)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

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

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets (cont'd)

General approach (cont'd)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities and interest-bearing bank and other borrowings.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Financial liabilities (cont'd)

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss. If an entity revises its estimates of payments or receipts (excluding modifications in accordance with HKFRS 9.5.4.3 and changes in estimates of expected credit losses), it shall adjust the gross carrying amount of the financial asset or amortised cost of a financial liability (or group of financial instruments) to reflect actual and revised estimated contractual cash flows. The entity recalculates the gross carrying amount of the financial asset or amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The adjustment is recognised in profit or loss as income or expense.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are required and held by the trustee under the RSU Scheme to hold on trust for the grantees (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Inventories

Inventories include the cost of completed drama series, drama series in production and undeveloped scripts and purchased copyrights or broadcasting rights of drama series. Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses.

The amounts of inventories recognised as cost of sales for a given period is determined using the drama series forecast computation method. Under this method, the amortisation of inventories and the accrual of participations and residuals is based on the proportion of the drama series' revenues recognised for such period to the drama series' estimated remaining ultimate revenues (i.e., the total revenue to be received throughout a drama series' life cycle).

Accounting for the co-investment arrangements and co-financing arrangements

Under the co-investment arrangements where the Group acts as an executive producer, the investment from the other co-investors is considered as the selling of shares of interests and copyrights in drama series to such co-investors by the Group. If the co-investors bear full risk for the shares of interests and copyrights of drama series they invested in, the amounts received from such co-investors are recognised as reductions of the costs of the drama series upon the receipt of the license for distribution of drama series from the National Radio and Television Administration of the PRC ("**NRTA**").

When co-investors are not entitled to any shares of copyrights in drama series they invested in under co-investment arrangements and the Group is obligated to share the licensing revenue with such co-investors at a fixed return basis or based on the respective investment ratio, the amounts received from such co-investors are recognised as financial liabilities.

The amount paid under co-financing arrangements to the third-party investors by the Group in order to obtain shares of legal rights (i.e. copyrights, broadcasting rights) of drama series is recognised as prepayments under the co-investment arrangements and reclassified as inventories upon the receipt of the license for distribution of drama series from the NRTA.

The amount paid under co-financing arrangements to third-party investors by the Group where the Group is not entitled to any shares of legal rights (i.e. copyrights, broadcasting rights) of the drama series is recognised as financial assets.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Income tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Revenue recognition (cont'd)

Revenue from contracts with customers (cont'd)

The Group is mainly involved in the licensing of broadcasting rights of drama series. Revenue is measured based on the fair value of consideration received or receivable specified in the contracts with customers.

(a) Licensing of broadcasting rights of drama series

Revenue from the licensing of broadcasting rights of drama series is recognised at the point in time when the drama series are available to the licensee, generally on delivery of the drama series after the approval from the NRTA or receipt of the license for distribution of drama series from the provincial counterpart of the NRTA when a customer is provided with a right to use the drama series as it exists at the point in time when the license is granted. The Group does not expect to have any contracts where the period between the transfer of the licensed drama series to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(b) Production of made-to-order drama series

Revenue from the production of made-to-order drama series is recognised over time, using an input method to measure progress towards complete production of made-to-order drama series, because the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced.

Broadcasting is accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Revenue recognition (cont'd)

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Net licensing fees received from investments in drama series as a non-executive producer with share of legal rights (i.e. copyrights, broadcasting rights) are recognised when the investors' right to receive payment has been established, it is probable that the economic benefits associated with the investment income will flow to the Group and the amount can be measured reliably. Revenue of this type is measured at the amount of net licensing fees paid to the Group and the relevant inventories are recognised in cost of sales when the revenue is recognised.

Net licensing fees received from investments in drama series without share of legal rights (i.e. copyrights, broadcasting rights) are recognised in accordance with HKFRS 9. Revenue of this type is measured at the amount of changes in fair value of these financial assets, which accumulatively and eventually equals to the total of the net licensing fees paid to the Group less the sum paid by the Group under the co-financing arrangement.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share award plan. Employees (including directors) and non-employees of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted. The cost of equity-settled transactions with non-employees is measured by reference to the fair value of the goods or services received at the date they are received. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Share-based payments (cont'd)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the financial statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 MATERIAL ACCOUNTING POLICIES (CONT'D)

Foreign currencies (cont'd)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Contractual Arrangements

The Consolidated Affiliated Entities are engaged in the production, distribution and licensing of broadcasting rights of drama series. Under the scope of "Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2019 Version)", foreign investors are prohibited to invest in such business.

The Group exercises control over the Consolidated Affiliated Entities and enjoys substantially all economic benefits of the Consolidated Affiliated Entities through the Contractual Arrangements.

The Group does not have any equity interests in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over them. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of the Consolidated Affiliated Entities in the financial statements during the reporting period.

Principal versus agent

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal that obtains control of any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; (iii) a good or service from the other party that the Group then combines with other goods or services in providing the specified good or service to the customer. If control is unclear, and when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Judgements (cont'd)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses and deductible temporary differences of RMB49,481,000 and RMB8,471,000 (2023: RMB52,355,000 and RMB7,525,000) carried forward, respectively. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by RMB14,305,000. Further details on deferred taxes are disclosed in note 27 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision and write-down of inventories to net realisable value

The Group's management reviews the conditions of inventories of the Group and makes provision for obsolete and slow-moving inventory items. The Group carries out an inventory review on a project-by-project basis at the end of each reporting period and makes provision for obsolete projects. Net realisable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of producing and distributing drama series of a similar nature. The Group's management reassesses the estimation at the end of each reporting period.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. All non-financial assets of the Group are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Estimation uncertainty (cont'd)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing period and days past due for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical expected default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as the debtors and the economic environment. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical expected default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

Provision for expected credit losses on other receivables

The Group has applied the general approach to provide for expected credit losses for other receivables and considered the default event, historical loss rate and adjusted for forward-looking macroeconomic data in calculating the expected credit loss rate, details of which are set out in note 21 to the financial statements.

Amortisation of inventories

The amount of inventories recognised as costs of sales for a given period is determined using the revenue forecast computation method. Under this method, the amortisation of inventories and the accrual of participations and residuals are based on the proportion of the drama series' revenues recognised for such period to the drama series' estimated remaining ultimate revenues (i.e., the total revenue to be received throughout a drama series' life cycle).

Management regularly reviews the basis of the amortisation and will adjust the amortisation method when expected changes in the drama series' estimated remaining ultimate revenues arise.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2024 was RMB108,341,000 (2023: RMB108,341,000). Further details are given in note 15 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

During the years ended 31 December 2024 and 2023, the Group operated within one geographical segment because all of the Group's revenue was generated from customers located in Mainland China.

(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 2024 and 2023 is set out below:

	2024 RMB'000	2023 RMB'000
Customer 1	**886,032**	324,434
Customer 2	**113,982**	N/A*
Customer 3	**N/A***	94,985

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	**1,124,537**	840,663

Revenue from contracts with customers

(i) Disaggregated revenue information

	2024 RMB'000	2023 RMB'000
Types of goods or services		
Licensing of the broadcasting rights of drama series	**1,124,141**	749,233
Made-to-order drama series production	**–**	83,647
Others	**396**	7,783
Total	**1,124,537**	840,663

Geographical markets

All of the Group's revenue was generated from customers located in Mainland China during the years ended 31 December 2024 and 2023.

	2024 RMB'000	2023 RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	**1,124,141**	757,016
Services transferred over time	**396**	83,647
Total	**1,124,537**	840,663

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.

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	**76,563**	91,712

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.

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

Revenue from contracts with customers (cont'd)

(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 artist agency services and the licensing of drama series' side products including sale of script copyrights, provision of script-based role play game services, and payment is generally within six months.

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

	2024 RMB'000	2023 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**245,726**	189,771

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:

	2024 RMB'000	2023 RMB'000
Government grants*	**4,181**	4,677
Bank interest income	**2,736**	2,968
Interest income from loans receivable	**4,171**	6,881
Investment income from financial assets at fair value through profit or loss	**207**	–
Penalty income from contracts	**1,487**	–
Others	**564**	1,043
Total other income and gains	**13,346**	15,569

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

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold		**955,469**	760,456
Depreciation of property, plant and equipment*	*13*	**1,980**	1,580
Depreciation of right-of-use assets*	*14(a)*	**5,005**	4,012
Amortisation of other intangible assets*	*16*	**3**	3
Government grants		**(4,181)**	(4,677)
Bank interest income		**(2,736)**	(2,968)
Interest income from loans receivable		**(4,171)**	(6,881)
Investment income from financial assets at fair value through profit or loss		**(207)**	–
Changes in fair value of financial assets at fair value through profit or loss		**1,124**	255
Lease payments not included in the measurement of lease liabilities	*14(c)*	**549**	615
Auditor's remuneration		**2,800**	2,800
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**19,734**	18,874
Equity-settled share award expense		**4,326**	5,790
Pension scheme contributions**		**2,288**	1,678
Staff welfare expenses		**613**	237
Total		**26,961**	26,579
Loss on disposal of items of property, plant and equipment		**–**	29
Gain on bargain purchase***	*31*	**(27)**	–
Gain on step acquisition of a subsidiary***	*18*	**(163)**	–
Foreign exchange differences, net		**89**	380
Impairment of financial assets, net:			
Impairment of trade receivables, net	*20*	**(7,846)**	22,666
Impairment of other receivables, net	*21*	**22,523**	844
Total		**14,677**	23,510
Write-down of inventories to net realisable value****		**17,598**	16,950

* The depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of other intangible assets for the year are 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.

*** Gain on bargain purchase and gain on step acquisition of a subsidiary are included in "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 RMB'000	2023 RMB'000
Interest on bank loans	**11,337**	12,063
Interest on trade payables	**1,095**	–
Interest on borrowings from third parties	**–**	142
Interest on discounted notes receivable	**167**	1,814
Interest on lease liabilities	**357**	229
Interest expense under the co-investment in drama series	**1,132**	–
Total	**14,088**	14,248

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 RMB'000	2023 RMB'000
Fees	**666**	645
Other emoluments:		
Salaries, allowances and benefits in kind	**2,828**	3,479
Pension scheme contributions	**111**	147
Equity-settled share option expense	**10,858**	13,630
Subtotal	**13,797**	17,256
Total	**14,463**	17,901

In prior year, a director was granted share options, in respect of his services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such option, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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

Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2024 RMB'000	2023 RMB'000
Mr. Ma Zhongjun	222	215
Mr. Zhang Senquan	222	215
Mr. Chung Chong Sun	222	215
Total	666	645

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2024						
Executive directors:						
Mr. Liu Xiaofeng	–	1,018	–	45	10,858	11,921
Mr. Chen Chen*	–	542	–	23	–	565
Ms. Zhai Fang	–	1,268	–	43	–	1,311
Subtotal	–	2,828	–	111	10,858	13,797
Non-executive directors:						
Mr. Wang Xiaohui	–	–	–	–	–	–
Ms. Liu Fan	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Total	–	2,828	–	111	10,858	13,797

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2023						
Executive directors:						
Mr. Liu Xiaofeng	–	1,016	–	43	13,630	14,689
Mr. Chen Chen	–	1,016	–	43	–	1,059
Ms. Zhang Qiuchen**	–	431	–	18	–	449
Ms. Zhai Fang	–	1,016	–	43	–	1,059
Subtotal	–	3,479	–	147	13,630	17,256
Non-executive directors:						
Mr. Wang Xiaohui	–	–	–	–	–	–
Ms. Liu Fan	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Total	–	3,479	–	147	13,630	17,256

* Mr. Chen Chen retired as an executive director of the Company on 12 June 2024.

** Ms. Zhang Qiuchen resigned as an executive director of the Company on 4 May 2023.

Mr. Liu Xiaofeng is the chief executive of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2023: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2023: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, bonuses, allowances and benefits in kind	**2,994**	2,068
Pension scheme contributions	**156**	106
Equity-settled share award expense	**2,405**	1,133
Total	**5,555**	3,307

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees	
	2024	2023
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,500,001 to HK$4,000,000	**1**	–
Total	**3**	2

During the year and in prior years, share awards were granted to non-director and non-chief executive highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such share awards, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

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

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

The statutory tax rate for the subsidiary in Hong Kong is 16.5% (2023: 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. Certain PRC subsidiaries are recognised as Small and Low-profit Enterprises, and the assessable profits less than RMB3,000,000 (2023: RMB3,000,000) are entitled to a preferential tax rate of 5% (2023: 5%) during the year.

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

	2024 RMB'000	2023 RMB'000
Current – Mainland China		
Charge for the year	**11,060**	3,764
Deferred tax *(note 27)*	**6,209**	(13,741)
Total tax charge/(credit) for the year	**17,269**	(9,977)

(b) A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate for the jurisdiction where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Profit/(loss) before tax	**14,309**	(117,486)
Tax at the statutory tax rate of 25% (2023: 25%)	**3,577**	(29,372)
Effect of tax rate differences in other jurisdictions	**487**	842
Effect of tax exemption granted to subsidiaries	**1,057**	244
Expenses not deductible for tax	**12,546**	12,786
Tax losses utilised from previous periods	**(3,494)**	(1,112)
Profits and losses attributable to joint ventures and associates	**27**	405
Temporary differences not recognised	**377**	1,741
Tax losses not recognised	**2,692**	4,489
Tax charge/(credit) at the Group's effective tax rate	**17,269**	(9,977)

11. DIVIDENDS

The board of directors has resolved not to recommend payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during the year, as 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 2022 ("**2022 RSU Scheme**") during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue outstanding during the year, as used in the basic earnings per share calculation, 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 loss per share are based on:

	2024 **RMB'000**	2023 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(2,124)**	(109,307)

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic loss per share calculation	**686,283,476#**	677,263,086#
Effect of dilution – weighted average number of ordinary shares:	**N/A***	N/A*

The weighted average number of shares was after taking into account the effect of treasury shares held.

* No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2024 and 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 amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2024					
At 1 January 2024:					
Cost	588	5,077	850	4,520	11,035
Accumulated depreciation	(366)	(3,291)	(293)	(2,154)	(6,104)
Net carrying amount	222	1,786	557	2,366	4,931
At 1 January 2024, net of accumulated depreciation	222	1,786	557	2,366	4,931
Additions	2	694	27	953	1,676
Depreciation provided during the year	(100)	(600)	(133)	(1,147)	(1,980)
At 31 December 2024, net of accumulated depreciation	124	1,880	451	2,172	4,627
At 31 December 2024:					
Cost	590	5,771	877	5,473	12,711
Accumulated depreciation	(466)	(3,891)	(426)	(3,301)	(8,084)
Net carrying amount	124	1,880	451	2,172	4,627

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

	Electronic equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	773	4,613	747	3,403	9,536
Accumulated depreciation	(497)	(2,809)	(536)	(1,286)	(5,128)
Net carrying amount	276	1,804	211	2,117	4,408
At 1 January 2023, net of accumulated depreciation	276	1,804	211	2,117	4,408
Additions	69	464	482	1,117	2,132
Disposals	(10)	–	(19)	–	(29)
Depreciation provided during the year	(113)	(482)	(117)	(868)	(1,580)
At 31 December 2023, net of accumulated depreciation	222	1,786	557	2,366	4,931
At 31 December 2023:					
Cost	588	5,077	850	4,520	11,035
Accumulated depreciation	(366)	(3,291)	(293)	(2,154)	(6,104)
Net carrying amount	222	1,786	557	2,366	4,931

14. LEASES

The Group as a lessee

The Group has lease contracts for office premises used in its operations. Leases of office premises generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

	Office premises RMB'000
As at 1 January 2023	6,160
Additions	5,682
Depreciation provided during the year (note 6)	(4,012)
As at 31 December 2023 and 1 January 2024	7,830
Additions	4,440
Additions as a result of acquisition of a subsidiary (note 31)	336
Depreciation provided during the year (note 6)	(5,005)
As at 31 December 2024	7,601

(b) Lease liabilities

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

	2024 **RMB'000**	2023 RMB'000
Carrying amount at 1 January	**6,935**	5,299
New leases	**4,440**	5,682
Additions as a result of acquisition of a subsidiary (note 31)	**336**	–
Accretion of interest recognised during the year	**357**	229
Payments	**(5,549)**	(4,275)
Carrying amount at 31 December	**6,519**	6,935
Analysed into:		
Current portion	**4,604**	3,614
Non-current portion	**1,915**	3,321

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

14. LEASES (CONT'D)

The Group as a lessee (cont'd)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**357**	229
Depreciation charge of right-of-use assets	**5,005**	4,012
Expenses relating to short-term leases (included in administrative expenses)	**549**	615
Total amount recognised in profit or loss	**5,911**	4,856

(d) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

15. GOODWILL

	2024 RMB'000	2023 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.

15. GOODWILL (CONT'D)

Impairment testing of goodwill (cont'd)

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

	2024	2023
	%	%
Gross profit margin	**14**	14
Terminal growth rate	**2**	3
Pre-tax discount rate	**20.0**	20.0

Assumptions were used in the value in use calculation of the Hangzhou Yide cash-generating unit for 31 December 2024 and 31 December 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Trademarks RMB'000	Backlog RMB'000	Total RMB'000
31 December 2024				
At 1 January 2024:				
Cost	**3**	**30**	**42,900**	**42,933**
Accumulated amortisation	**(3)**	**(22)**	**(42,900)**	**(42,925)**
Net carrying amount	**–**	**8**	**–**	**8**
Cost at 1 January 2024, net of accumulated amortisation	**–**	**8**	**–**	**8**
Acquisition of a subsidiary (note 31)	**–**	**–**	**17,400**	**17,400**
Amortisation provided during the year	**–**	**(3)**	**–**	**(3)**
At 31 December 2024	**–**	**5**	**17,400**	**17,405**
At 31 December 2024:				
Cost	**3**	**30**	**60,360**	**60,393**
Accumulated amortisation	**(3)**	**(25)**	**(42,900)**	**(42,928)**
Net carrying amount	**–**	**5**	**17,400**	**17,405**

	Software RMB'000	Trademarks RMB'000	Backlog RMB'000	Total RMB'000
31 December 2023				
At 1 January 2023:				
Cost	3	30	42,900	42,933
Accumulated amortisation	(3)	(19)	(42,900)	(42,922)
Net carrying amount	–	11	–	11
Cost at 1 January 2023, net of accumulated amortisation	–	11	–	11
Amortisation provided during the year	–	(3)	–	(3)
At 31 December 2023	–	8	–	8
At 31 December 2023:				
Cost	3	30	42,900	42,933
Accumulated amortisation	(3)	(22)	(42,900)	(42,925)
Net carrying amount	–	8	–	8

17. INVESTMENTS IN JOINT VENTURES

	2024 RMB'000	2023 RMB'000
Share of net assets	**1,494**	1,314

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

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

	2024 RMB'000	2023 RMB'000
Share of the joint ventures' losses for the year	**(235)**	(452)
Share of the joint ventures' total comprehensive loss for the year	**(235)**	(452)
Aggregate carrying amount of the Group's investments in joint ventures	**1,494**	1,314

The Group's shareholdings in the joint ventures are held through wholly-owned subsidiaries of the Company and the Consolidated Affiliated Entities.

18. INVESTMENTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Share of net assets	**6,070**	21,432

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

	2024 RMB'000	2023 RMB'000
Share of the associates' (losses)/profits for the year	**(748)**	1,613
Share of the associates' total comprehensive (loss)/income for the year	**(748)**	1,613
Aggregate carrying amount of the Group's investments in associates	**6,070**	21,432

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

The Group acquired an additional 85% equity interest in Shanghai Paihaoxi and its subsidiary from third parties at a cash consideration of RMB13,000,000 in November 2024, resulting in a gain on step acquisition of RMB163,000 and a gain on bargain purchase of RMB27,000. Upon completion of the acquisition, Shanghai Paihaoxi and its subsidiary became wholly-owned subsidiaries of the Group.

The Group has discontinued the recognition of its share of losses of an associate, Xiangshan Xingyu Yinyue Culture Media Co., Ltd. ("**Xingyu Yinyue**"), because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The Group's unrecognised share of losses of this associate for the current year and the accumulated unrecognised share of losses were RMB369,000 (2023: RMB514,000) and RMB15,453,000 (2023: RMB15,084,000), respectively.

In April 2024, the Group invested in a 20% interest in an associate with an amount of RMB200,000. The consideration for the investment was in the form of cash and an initial payment of RMB10,000 was made in cash in July 2024, with the balance expected to be paid in subsequent periods.

In June 2024, the Group invested in a 20% interest in an associate with an amount of RMB120,000. The consideration for the investment was in the form of cash and was fully paid in November 2024.

19. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**303,533**	220,144
Work in progress	**615,401**	682,032
Finished goods	**314,100**	406,305
Total	**1,233,034**	1,308,481

20. TRADE AND NOTES RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**679,852**	554,578
Notes receivable	**1,000**	40,700
	680,852	595,278
Impairment	**(33,036)**	(41,105)
Net carrying amount	**647,816**	554,173

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:

	2024 RMB'000	2023 RMB'000
Within 3 months	**41,409**	139,309
3 to 6 months	**124,549**	176,124
6 to 12 months	**440,316**	128,125
1 to 2 years	**39,746**	37,271
2 to 3 years	**796**	32,644
Total	**646,816**	513,473

20. TRADE AND NOTES RECEIVABLES (CONT'D)

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

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

As at 31 December 2024

	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	**0.73%**	**2.25%**	**7.38%**	**19.60%**	**100.00%**	**4.86%**
Gross carrying amount RMB'000	**242,660**	**373,811**	**42,913**	**990**	**19,478**	**679,852**
Expected credit losses RMB'000	**1,775**	**8,422**	**3,167**	**194**	**19,478**	**33,036**

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

20. TRADE AND NOTES RECEIVABLES (CONT'D)

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

	2024 RMB'000	2023 RMB'000
At beginning of year	**41,105**	18,439
Impairment losses recognised, net *(note 6)*	**(7,846)**	22,666
Amount written off as uncollectible	**(223)**	–
At end of year	**33,036**	41,105

The decrease (2023: increase) in the loss allowance of RMB8,069,000 (2023: RMB22,666,000) was mainly due to a decrease in trade receivables which were aged 2 to 3 years and past due (2023: an increase in 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 RMB434,745,000 (2023: RMB208,209,000), 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 RMB172,600,000 (2023: RMB5,200,000) were pledged to secure bank loans granted to the Group (note 26).

At 31 December 2024, notes receivable of RMB1,000,000 (2023: RMB40,700,000), whose fair values approximate to their carrying values, were classified as financial assets at fair value through other comprehensive income under HKFRS 9.

As at 31 December 2024, the Group discounted certain notes receivable accepted by certain banks in Mainland China (the "**Discounted Notes**") with a carrying amount in aggregate of RMB5,200,000 (2023: RMB8,400,000). In accordance with the Law of Negotiable Instruments in the PRC, the holders of 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 Discounted Notes accepted by large and reputable banks with an amount of RMB5,200,000 (2023: RMB8,400,000), as at 31 December 2024 (the "**Derecognised Notes**"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised 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.

During the year, the Group recognised the interest expense on the discounted notes receivable amounting to RMB167,000 (2023: RMB1,814,000).

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Prepayments under the co-investment arrangements	**103,631**	102,730
Prepayments *(note (a))*	**256,607**	133,611
Deductible input value-added tax	**19,773**	16,561
Prepaid income tax	**11,908**	19,354
Deposits and other receivables *(note (a))*	**13,529**	19,945
Loans receivable *(note (b))*	**60,854**	42,547
Due from a director *(note (c))*	**–**	1,405
	466,302	336,153
Impairment allowance *(note (d))*	**(30,351)**	(7,828)
Total	**435,951**	328,325

Notes:

(a) Included in the prepayments and other receivables were amounts due from the Group's related parties of RMB2,688,000 (2023: RMB4,160,000).

(b) Loans receivable represent the financial investments in certain drama series and loans provided to third parties. Included in the loans receivable, RMB43,822,000 (2023: RMB29,440,000) were the financial investments in certain drama series provided to third parties. The Group made an investment in certain drama series under arrangements, under which the Group is entitled to a fixed investment return based on the principal investment amount, the agreed rate of return and the investment period rather than exposure to the risk of variable returns of the invested drama series. The remaining balances represent loans provided to third parties.

As at 31 December 2024

	Effective interest rate	Maturity	RMB'000
Denominated in RMB	**7.5%**	**On demand**	**23,000**
Denominated in RMB	**10%**	**30 September 2025**	**7,940**
Denominated in RMB	**10%**	**Past due**	**5,000**
Denominated in RMB	**12%**	**Past due**	**4,000**
Denominated in RMB	**8%**	**On demand**	**3,000**
Denominated in RMB	**10%**	**On demand**	**882**
Total			**43,822**

As at 31 December 2023

	Effective interest rate	Maturity	RMB'000
Denominated in RMB	10%	30 June 2024	15,440
Denominated in RMB	10%	Past due	6,000
Denominated in RMB	12%	Past due	5,000
Denominated in RMB	8%	On demand	3,000
Total			29,440

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

Notes: (cont'd)

(c) Due from a director

Due from a director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 December 2024 RMB'000	Maximum amount outstanding during the year RMB'000	At 31 December 2023 and 1 January 2024 RMB'000	Maximum amount outstanding during the prior year RMB'000	At 1 January 2023 RMB'000
Mr. Liu Xiaofeng	–	–	1,405	1,405	–

The Group paid on behalf of a director of the Company for his liability of withholding individual income tax arising from exercise of share options. The balance was unsecured, interest-free and repayable on demand and it was fully settled in March 2024.

(d) An impairment analysis was performed at the end of each reporting period by considering the probability of default of comparable companies with published credit ratings, where applicable. The Group has applied the general approach to provide for expected credit losses for non-trade loans receivable, deposits and other receivables under HKFRS 9. Except for specific balances for which a 100% ECL rate is determined, as at 31 December 2024, the probability of default applied ranged from 1.50% to 2.28% (2023: 1.62% to 25.30%) and the loss given default was estimated to be in the range from 62.20% to 100% (2023: 45% to 100%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. Except for specific balances for which a 100% ECL rate is determined, the loss rate applied where there were no comparable companies as of 31 December 2024 ranged from 1.43% to 1.73% (2023: 1.62% to 18.98%).

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

	2024 RMB'000	2023 RMB'000
At beginning of year	7,828	6,984
Impairment losses recognised, net *(note 6)*	22,523	844
At end of year	30,351	7,828

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Investment in structured deposits, at fair value *(note (a))*	**5,000**	–
Investment in unlisted funds, at fair value *(note (b))*	**10,876**	–
Investment in drama series without copyright, at fair value *(note (c))*	**–**	11,147
Total	**15,876**	11,147

Notes:

(a) The above structured deposits were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(b) The above investments in unlisted funds included the investment in a limited partnership without significant influence at a cash consideration of RMB12,000,000. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(c) The above investment represents the Group's investments in drama series production of which the Group is not entitled to the copyrights. Instead, the Group is entitled to the share of income generated from such productions of drama series based on percentages reflecting the Group's investment in accordance with the respective co-investment arrangements. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The fair value of the investment is determined by discounted cash flow valuation technique.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Below is a summary of significant unobservable inputs to the valuation of the investment measured at fair value using the discounted cash flow technique together with a quantitative sensitivity analysis as at 31 December 2024 and 2023:

As at 31 December 2024

	Valuation technique	Significant unobservable inputs	Range of inputs	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss of RMB10,876,000	Net assets value method	Net assets value	RMB 10,876,000	1% increase/(decrease) in net asset value would result in increase/(decrease) in fair value by RMB108,760/(RMB108,760)

As at 31 December 2023

	Valuation technique	Significant unobservable inputs	Range of inputs	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss of RMB11,147,000	Discounted cash flow	Expected cash flow and discount rate	3.2%	1% increase/(decrease) in discount rate would result in (decrease)/increase in fair value by (RMB72,000)/ RMB73,000

23. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**79,326**	123,577
Time deposits	**92,289**	93,590
Restricted cash	**–**	5
Subtotal	**171,615**	217,172
Less: Pledged time deposits:		
Pledged for short-term bank loans *(note 26)*	**92,289**	62,778
Restricted cash	**–**	5
Cash and cash equivalents	**79,326**	154,389
Denominated in:		
RMB	**78,897**	153,966
US$	**223**	–
HK$	**206**	423
Total	**79,326**	154,389

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposit is made for the period within three months depending on the immediate cash requirement of the Group and earn interest at the respective short-term time deposit rate. The bank balances are deposited with creditworthy banks with no recent history of default.

24. TRADE AND NOTES PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	**268,835**	300,794
Notes payable	**25,000**	–
Total	**293,835**	300,794

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

	2024 RMB'000	2023 RMB'000
Within 3 months	**88,582**	97,013
3 to 6 months	**138,989**	61,063
6 to 12 months	**10,195**	99,021
1 to 2 years	**1,560**	33,871
2 to 3 years	**22,112**	7,955
Over 3 years	**7,397**	1,871
Total	**268,835**	300,794

Included in the trade and notes payables were trade payables of RMB192,663,000 (2023: RMB225,249,000) 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 generally non-interest-bearing and are normally settled on 90-day to 365-day terms, except for a trade payable amount of RMB13,560,000 bearing interest at 10% per annum and repayable within one year. During the year an interest expense of RMB1,095,000 (2023: Nil) was recognised in profit or loss.

25. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Contract liabilities *(note (a))*	**287,119**	215,527
Other payables *(note (b))*	**12,199**	4,580
Amount received under the co-investment arrangements without share of copyrights *(note (c))*	**10,951**	–
Other tax payables	**6,814**	2,191
Payroll and welfare payable	**1,736**	2,123
Total	**318,819**	224,421

Notes:

(a) Details of contract liabilities are as follows:

	2024 RMB'000	2023 RMB'000
Short-term advances received from customers		
Licensing of the broadcasting rights of drama series	**245,726**	188,988
Made-to-order drama series production	**41,393**	25,756
Others	**–**	783
Total	**287,119**	215,527

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. The increase in contract liabilities in 2024 was mainly due to the increase in short-term advances received from customers in relation to the licensing of the broadcasting rights of drama series.

Included in the contract liabilities are advances received from the Group's related parties of RMB160,459,000 (2023: RMB189,463,000).

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

(c) Included in the amount received under the co-investment arrangements without share of copyrights are advances received from the Group's related parties of RMB7,791,000 (2023: Nil).

26. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	2024 RMB'000
Current			
Bank loan – secured *(note (a))*	3.65	2025	198,571
Bank loan – secured *(note (b))*	3.55	2025	28,063
Bank loan – secured *(note (b))*	3.45	2025	10,061
Bank loan – unsecured	2.70	2025	19,544
Bank loan – unsecured	3.30	2025	10,023
Bank loan – unsecured	3.50	2025	10,023
Bank loan – unsecured	3.65	2025	7,015
Total			283,300

	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

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

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**283,300**	278,663
In the second year	**–**	28,000
Total	**283,300**	306,663

Notes:

(a) The Group's bank loans are secured by the pledge of certain of the Group's trade receivables and short-term deposits amounting to RMB172,600,000 (2023: RMB5,200,000) and RMB92,289,000 (2023: RMB62,778,000), respectively, and are guaranteed by the Company.

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

27. DEFERRED TAX

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

Deferred tax assets

	Impairment of trade and other receivables RMB'000	Lease liabilities RMB'000	Impairment of inventories RMB'000	Changes in fair value on financial assets at fair value through profit or loss RMB'000	Losses available for offsetting against future taxable income RMB'000	Unrealised profit from inter-company transactions RMB'000	Total RMB'000
At 1 January 2023	6,356	1,265	–	–	–	565	8,186
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	4,468	469	3,766	64	5,660	(405)	14,022
Gross deferred tax assets at 31 December 2023 and 1 January 2024	10,824	1,734	3,766	64	5,660	160	22,208
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	3,377	(383)	(3,766)	(64)	(5,660)	(27)	(6,523)
Gross deferred tax assets at 31 December 2024	14,201	1,351	–	–	–	133	15,685

27. DEFERRED TAX (CONT'D)

The movements in deferred tax assets and liabilities during the year are as follows: (cont'd)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2023	2,711	1,469	4,180
Deferred tax credited/charged to profit or loss during the year *(note 10)*	(208)	489	281
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	2,503	1,958	4,461
Acquisition of a subsidiary *(note 31)*	4,588	–	4,588
Deferred tax credited to profit or loss during the year *(note 10)*	–	(314)	(314)
Gross deferred tax liabilities at 31 December 2024	7,091	1,644	8,735

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**14,334**	20,474
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(7,384)**	(2,727)
Net deferred tax assets	**6,950**	17,747

27. DEFERRED TAX (CONT'D)

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

	2024 RMB'000	2023 RMB'000
Deductible temporary differences	**8,471**	7,525
Tax losses	**49,481**	52,355
	57,952	59,880

The above tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

At 31 December 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB349,728,000 (2023: RMB349,833,000).

28. SHARE CAPITAL

	2024 US$'000	2023 US$'000
Authorised: 2,000,000,000 (2023: 2,000,000,000) ordinary shares of US$0.000025 each	**50**	50
Issued and fully paid: 706,041,400 (2023: 700,394,200) ordinary shares of US$0.000025 each	**18**	18

28. SHARE CAPITAL (CONT'D)

The movements in the Company's share capital during the year are as follows:

	Number of shares in issue	Share capital RMB'000	Shares premium RMB'000	Treasury shares RMB'000	Total RMB'000
At 1 January 2023	696,629,400	113	1,383,391	(42,651)	1,340,853
Share options exercised *(note (a))*	3,764,800	1	7,715	–	7,716
Repurchase of shares *(note (b))*	–	–	–	(289)	(289)
Restricted share units vested *(note (c))*	–	–	3,975	5,565	9,540
At 31 December 2023 and 1 January 2024	700,394,200	114	1,395,081	(37,375)	1,357,820
Share options exercised *(note (a))*	5,647,200	1	11,573	–	11,574
Restricted share units vested *(note (c))*	–	–	(773)	8,555	7,782
At 31 December 2024	706,041,400	115	1,405,881	(28,820)	1,377,176

Notes:

(a) On 12 May 2024, 5,647,200 share options were exercised at the subscription price of US$0.000025 per share (note 30), resulting in the issue of 5,647,200 shares for a total cash consideration, before expenses, of US$141.18 (equivalent to RMB1,000). An amount of RMB11,573,000 was transferred from the share award and option reserve to share premium upon the exercise of the share options.

On 12 May 2023, 3,764,800 share options were exercised at the subscription price of US$0.000025 per share (note 30), resulting in the issue of 3,764,800 shares for a total cash consideration, before expenses, of US$94.12 (equivalent to RMB1,000). An amount of RMB7,715,000 was transferred from the share award and option reserve to share premium upon the exercise of the share options.

(b) On 28 April 2023, 310,000 shares were repurchased for the trustee under the 2021 RSU Scheme and the 2022 RSU Scheme to hold on trust for the grantees of the restricted share units at a total cash consideration of RMB289,000.

(c) On 1 January 2024, 1 May 2024,11 November 2024 and 20 December 2024, 2,250,000, 426,333, 1,785,300 and 464,000 restricted share units were vested, respectively. An amount of RMB7,782,000 was transferred from the share award and option reserve to share premium and treasury shares of RMB773,000 and RMB8,555,000, respectively, upon the vesting of restricted share units.

On 1 January 2023, 1 May 2023 and 11 November 2023, 1,450,000, 563,000 and 1,364,200 restricted share units were vested, respectively. An amount of RMB9,540,000 was transferred from the share award and option reserve to share premium and treasury shares of RMB3,975,000 and RMB5,565,000, respectively, upon the vesting of restricted share units.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 102 of the financial statements.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group, details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

Statutory surplus reserve

In accordance with the Company Law of the PRC, subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their statutory surplus reserve until the reserve reaches 50% of their registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Share award and option reserve

Share award or option reserve of the Group represents share-based compensation reserve due to equity-settled share award or option.

30. SHARE AWARD AND SHARE OPTION SCHEMES

(a) Pre-IPO Share Option Scheme

On 11 May 2020, the Company adopted the Pre-IPO Share Option Scheme. Following the adoption of the Pre-IPO Share Option Scheme, 37,648,000 Pre-IPO Share Options, representing approximately 8% equity interests in the Company, were granted to Mr. Liu Xiaofeng, an executive director and the chief executive officer of the Company, to recognise his significant contribution to the Group. The Pre-IPO Share Options required no performance target except that Mr. Liu Xiaofeng remains as an employee of the Group during the vesting period.

The exercise price of the Pre-IPO Share Options is no less than its par value, which will be determined by the board of directors. 5% of the Pre-IPO Share Options are exercisable after 24 months from the date of the option scheme agreement; 10% of the Pre-IPO Share Options are exercisable after 36 months from the date of the share option scheme agreement; 15% of the Pre-IPO Share Options are exercisable after 48 months from the date of the option scheme agreement; 30% of the Pre-IPO Share Options are exercisable after 60 months from the date of the option scheme agreement and 40% of the Pre-IPO Share Options are exercisable after 72 months from the date of the option scheme agreement.

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

	Weighted average exercise price US$ per share	Number of options
At January 2023	0.000025	35,765,600
Exercised during the year	0.000025	(3,764,800)
At 31 December 2023 and 1 January 2024	0.000025	32,000,800
Exercised during the year	0.000025	(5,647,200)
At 31 December 2024	0.000025	26,353,600

The weighted average share price at the date of exercise for share options exercised during the year was US$0.000025 per share (2023: US$0.000025 per share).

The fair value of the Pre-IPO Share Options granted in 2020 was approximately RMB77,152,000, of which the Group recognised a share option expense of RMB10,858,000 during the year (2023: RMB13,630,000).

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

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

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

(a) Pre-IPO Share Option Scheme (cont'd)

The 5,647,200 share options exercised during the year resulted in the issue of 5,647,200 ordinary shares of the Company (2023: 3,764,800 share options) and new share capital of US$141.18 (equivalent to RMB1,000) (2023: US$94.12 (equivalent to RMB1,000)) (before issue expenses), as further detailed in note 28 to the financial statements.

At the end of the reporting period, the Company had 26,353,600 share options outstanding under the Pre-IPO Share Option Scheme (2023: 32,000,800 share options).

(b) 2021 Restricted Share Unit ("RSU") Scheme

On 15 September 2021, the Company has adopted the 2021 RSU Scheme to reward employees of the Group, senior management of subsidiaries of the Company, and business partners (including top artists such as directors, screenwriters, etc.) for their contributions to the growth and development of the Group and to give incentives thereto in order to retain them for the continual development and long-term strategic goals of the Group.

To facilitate the implementation and administration of the RSUs, the Company entered into the Trust Deed and appointed Futu Trustee Limited as the Trustee for the administration of the 2021 RSU Scheme pursuant to the Rules. The 2021 RSU Scheme shall be subject to the administration of the board of directors and the Trustee in accordance with the terms of the 2021 RSU Scheme and, where applicable, the Trust Deed.

The 2021 RSU Scheme shall be valid and effective for a term of ten years commencing from the date on which the board of directors adopted the 2021 RSU Scheme.

On 20 December 2023, the board of directors resolved to amend the vesting conditions of certain RSUs granted to employees and business partners under the 2021 RSU Scheme. The revised vesting schedule of the RSUs granted to the grantees under the 2021 RSU Scheme shall be as follows:

On 4 November 2021, 3,680,000 RSUs granted to the employees of the Group shall vest in the Grantees in accordance with the below vesting schedule, subject to satisfaction of the vesting condition that the relevant grantees remain Eligible Participants on the respective vesting dates:

(i) in relation to 1,600,000 RSUs granted, the RSUs shall vest on 11 November 2021; and

(ii) in relation to 2,080,000 RSUs granted, 20% of the RSUs shall vest on 11 November 2021, 20% of the RSUs shall vest on 11 November 2022, 30% of the RSUs shall vest on 11 November 2023, and 30% of the RSUs shall vest on 11 November 2024.

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

(b) 2021 RSU Scheme (cont'd)

On 4 November 2021, 13,100,000 RSUs granted to suppliers and employees of joint ventures shall vest in accordance with the below vesting schedule:

(i) in relation to 4,800,000 RSUs granted: one-third of the RSUs shall vest on 1 January 2023, 1 January 2024 and 1 January 2025, respectively, subject to satisfaction of the vesting condition that certain drama series, for which the Grantees engaged by the Group to act as the screenwriter, producer or director shall be broadcast or start shooting by certain dates;

(ii) in relation to 4,500,000 RSUs granted: one-third of the RSUs shall vest on 1 January 2024, 1 January 2025 and 1 January 2026, respectively, subject to satisfaction of the vesting condition that certain drama series, for which the Grantees engaged by the Group to act as the screenwriter, producer or director shall be broadcast or start shooting by certain dates;

(iii) in relation to 800,000 RSUs granted: 25% of the RSUs shall vest on 25 January 2023, 25 January 2024, 25 January 2025 and 25 January 2026, respectively, subject to satisfaction of the vesting condition that the profit of the company, for which the relevant Grantees were engaged as agents, remains at certain level; and

(iv) in relation to 3,000,000 RSUs granted: 25% of the RSUs shall vest on 1 January 2025, 50% of the RSUs shall vest on 1 January 2026 and 1 January 2027, respectively, subject to the satisfaction of the vesting condition that the relevant Grantee procures top actors to participate in the production of drama series of the Company.

On 19 April 2022, 3,859,000 RSUs granted to suppliers shall vest in the Grantees in accordance with the below vesting schedule, subject to satisfaction of the vesting condition that certain drama series, for which the Grantees engaged by the Group to act as the screenwriter, producer or director shall be broadcast or start shooting by certain dates:

(i) in relation to 759,000 RSUs granted, one-third of the RSUs shall vest on 1 May 2023, 1 May 2024 and 1 May 2025, respectively;

(ii) in relation to 2,380,000 RSUs granted, one-third of the RSUs shall vest on 1 May 2024, 1 May 2025 and 1 May 2026, respectively; and

(iii) in relation to 720,000 RSUs granted, one-third of the RSUs shall vest on 1 May 2025, 1 May 2026 and 1 May 2027, respectively.

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

(b) 2021 RSU Scheme (cont'd)

On 20 December 2023, the Company granted an aggregate of 464,000 RSUs to a supplier at nil consideration pursuant to the 2021 RSU Scheme, all of which were accepted by the grantee. The grant of an aggregate of 464,000 RSUs to the grantee shall be satisfied by the existing shares to be acquired by the Trustee on the market. The Company will provide sufficient funds through its internal resources to the Trustee to enable the Trustee to satisfy its obligations in connection with the vesting of RSUs granted to the grantee. There are performance targets required.

The following awarded shares were outstanding under the 2021 RSU Scheme during the year:

	Number of shares held for the 2021 RSU Scheme	Number of awarded shares
Outstanding at 1 January 2023	192,000	18,063,000
Granted during the year	(464,000)	464,000
Forfeited	572,000	(572,000)
Vested during the year	–	(2,219,000)
Outstanding at 31 December 2023 and 1 January 2024	300,000	15,736,000
Forfeited	1,822,999	(1,822,999)
Vested during the year	–	(3,653,333)
Outstanding at 31 December 2024	2,122,999	10,259,668

The fair value of RSUs granted to suppliers, employees of the Group and employees of joint ventures under the 2021 RSU Scheme was estimated as at the date of receipt or grant by management based on the closing price of the Group's stock on the valuation base date, taking into account the effect of liquidity discounts during lock-up periods. The following table lists the inputs used:

	As at 31 December 2024	As at 31 December 2023
Liquidity discount	**13%**	13%

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

(b) 2021 RSU Scheme (cont'd)

The fair value of the RSUs granted to suppliers during the year was RMB1,798,000 (RMB0.4540 to RMB1.7139 each) (2023: RMB2,291,000 (RMB0.4152 to RMB1.7401 each)).

During the year, the Group recorded a share-based compensation of RMB2,190,000 (2023: RMB2,845,000), of which RMB392,000 (2023: RMB796,000) was recognised in profit or loss, RMB1,798,000 (2023: RMB2,291,000) was recognised in inventories and nil (2023: share of loss of RMB242,000) was recognised in share of loss of a joint venture. No other feature of the RSUs granted was incorporated into the measurement of fair value.

(c) 2022 RSU Scheme

On 28 April 2022, the Company has adopted a 2022 RSU Scheme to reward employees of the Group, senior management of subsidiaries of the Company, and business partners (including top artists such as directors, screenwriters, producers and etc.) of the Group for their contributions to the growth and development of the Group and to give incentives thereto in order to retain them for the continual development and long-term strategic goals of the Group. The 2022 RSU Scheme will be maintained in parallel with the Pre-IPO Share Option Scheme, the 2021 RSU Scheme and such other share incentive schemes which may be adopted by the Company from time to time.

To facilitate the implementation and administration of the RSUs, the Company entered into the Trust Deed and appointed Futu Trustee Limited as the Trustee for the administration of the 2022 RSU Scheme pursuant to the Rules. The 2022 RSU Scheme shall be subject to the administration of the board of directors and the Trustee in accordance with the terms of the 2022 RSU Scheme and, where applicable, the Trust Deed.

The 2022 RSU Scheme shall be valid and effective for a term of ten years commencing from the date on which the board of directors adopted the 2022 RSU Scheme.

On 14 November 2022, the Company granted an aggregate of 310,000 RSUs, representing 310,000 underlying shares, to a supplier of the Group, at nil consideration pursuant to the 2022 RSU Scheme, all of which were accepted by the grantee. The grant of an aggregate of 310,000 RSUs to the grantees shall be satisfied by the existing shares to be acquired by the Trustee on the market. The Company will provide sufficient funds through its internal resources to the Trustee to enable the Trustee to satisfy its obligations in connection with the vesting of RSUs granted to the grantees. There are performance targets required.

The 310,000 RSUs granted to such supplier shall vest on 1 May 2023, subject to satisfaction of the vesting condition that certain drama series, for which the Grantee engaged by the Group to act as the screenwriter, shall be broadcast before 1 May 2023.

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

(c) 2022 RSU Scheme (cont'd)

On 28 April 2022, 6,141,000 RSUs granted to the employees of the Group shall vest in the Grantees in accordance with the below vesting schedule, subject to satisfaction of the vesting condition that the relevant grantees remain Eligible Participants on the respective vesting dates:

(i) in relation to the 2,800,000 RSUs granted, 5% of the RSUs shall vest on 11 November 2022, 10% of the RSUs shall vest on 11 November 2023, 15% of the RSUs shall vest on 11 November 2024, 20% of the RSUs shall vest on 11 November 2025, 25% of the RSUs shall vest on 11 November 2026, and 25% of the RSUs shall vest on 11 November 2027; and

(ii) in relation to the 3,341,000 RSUs granted, 20% of the RSUs shall vest on 20 May 2022, 20% of the RSUs shall vest on 11 November 2023, 30% of the RSUs shall vest on 11 November 2024, and 30% of the RSUs shall vest on 11 November 2025.

The following awarded shares were outstanding under the 2022 RSU Scheme during the year:

	Number of shares held for the 2022 RSU Scheme	Number of awarded shares
Outstanding at 1 January 2023	(310,000)	5,642,800
Repurchase of shares	310,000	–
Forfeited	400,000	(400,000)
Vested during the year	–	(1,158,200)
Outstanding at 31 December 2023 and 1 January 2024	400,000	4,084,600
Vested during the year	–	(1,272,300)
Outstanding at 31 December 2024	400,000	2,812,300

The fair value of RSUs granted to employees of the Group and a supplier in 2022 under the 2022 RSU Scheme estimated by management is based on the closing price of the Group's stock on the valuation base date.

During the year, the Group recognised a share-based compensation of RMB3,934,000 (2023: RMB4,994,000) in profit or loss.

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

There are no cash settlement alternatives for the Pre-IPO Share Option Scheme, 2021 RSU Scheme and 2022 RSU Scheme. The Group does not have a past practice of cash settlement for these schemes. The Group accounts for these schemes as equity-settled plan.

31. BUSINESS COMBINATION

On 8 October 2024, Jiangsu Strawbear, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement in relation to the acquisition of an additional 85% equity interest in an associate of the Group, Shanghai Paihaoxi, from third parties at a total consideration of RMB13,000,000. The purchase consideration for the acquisition was in the form of cash and fully paid on 29 November 2024. Upon completion of the acquisition, Shanghai Paihaoxi and its subsidiary became wholly-owned subsidiaries of the Group.

Shanghai Paihaoxi and its subsidiary is principally engaged in the production, distribution and licensing of broadcasting rights of drama series. The directors of the Company considered that Shanghai Paihaoxi and its subsidiary would strengthen the Group's production services of the drama series in terms of ecological capability and brand influence.

The fair values of the identifiable assets and liabilities of Shanghai Paihaoxi and its subsidiary as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Cash and bank balances		4,402
Financial assets at fair value through profit or loss		9,700
Right-of-use assets	*14(a)*	336
Trade and notes receivables		1,237
Prepayments, other receivables and other assets		5,477
Inventory		9,977
Other intangible assets	*16*	17,400
Other payables and Accruals		(15,516)
Deferred tax liabilities	*27*	(4,588)
Lease liabilities	*14(b)*	(336)
Total identifiable net assets at fair value		28,089
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income		(27)
Total consideration		28,062
Satisfied by:		
Cash		13,000
Fair value of previously held equity interests		15,062
Total		28,062

31. BUSINESS COMBINATION (CONT'D)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB1,237,000 and RMB38,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB1,237,000 and RMB38,000, respectively, of which no balance is expected to be uncollectible.

No transaction costs were incurred for this acquisition.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(13,000)
Cash and bank balances acquired	4,402
Total net cash outflow	(8,598)

Since the acquisition, Shanghai Paihaoxi and its subsidiary contributed nil to the Group's revenue and RMB443,000 to the consolidated loss for the year ended 31 December 2024.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB1,124,573,000 and RMB4,764,000, respectively.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB4,440,000 (2023: RMB5,682,000) in respect of lease arrangements for office premises.

During the year, loans receivable of RMB4,119,000 (2023: RMB46,358,000) were transferred to prepayments which represent the Group's investment in drama series under the co-investment arrangements.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings RMB'000	**Lease liabilities** RMB'000
At 1 January 2023	275,973	5,299
Additions	–	5,682
Changes from financing cash flows	30,900	(4,046)
Interest accrued	12,205	229
Interest paid	(12,415)	(229)
At 31 December 2023 and 1 January 2024	306,663	6,935
Additions	–	4,440
Increase arising from acquisition of a subsidiary *(note 31)*	–	336
Changes from financing cash flows	(23,600)	(5,192)
Interest accrued	11,337	357
Interest paid	(11,100)	(357)
Total	283,300	6,519

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	**549**	615
Within financing activities	**5,192**	4,046
Total	**5,741**	4,661

33. COMMITMENTS

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

	2024 RMB'000	2023 RMB'000
Drama series	**665,527**	508,149

34. RELATED PARTY TRANSACTIONS

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

Name	Relationship with the Company
Mr. Liu Xiaofeng	A director and the ultimate controlling shareholder of the Group
Zhejiang Dongyang Chestnutbear Film and Television Culture Co., Ltd. ("**Dongyang Chestnutbear**")	An associate of the Group
Wuxi Wuyi Culture Media Co., Ltd. ("**Wuxi Wuyi**")	An associate of the Group
Shanghai Paihaoxi*	An associate of the Group
Xingyu Yinyue	A joint venture of the Group
Beijing Honeybear Entertainment Cultural Media Co., Ltd. ("**Beijing Honeybear**")	A joint venture of the Group
Beijing Haikeyi Film and Television Co., Ltd. ("**Beijing Haikeyi**")	An associate of the Group

34. RELATED PARTY TRANSACTIONS (CONT'D)

Name	Relationship with the Company
Beijing iQIYI Technology Co., Ltd. ("**Beijing iQIYI**")	An entity controlled by a shareholder
Hainan iQIYI Information Technology Co., Ltd. ("**Hainan iQIYI**")	An entity controlled by a shareholder
Beijing QIYI Century Technology Co., Ltd. ("**Qiyi Century**")	An entity controlled by a shareholder
Shanghai iQIYI New Media Technology Co., Ltd. ("**Shanghai iQIYI**")	An entity controlled by a shareholder
Shanghai Shaoyin Music Entertainment Co., Ltd. ("**Shanghai Shaoyin**")	An entity controlled by shareholders
Chongqing New Navigation Film and Television Culture Co., Ltd. ("**New Navigation**")	An entity controlled by a shareholder

* Shanghai Paihaoxi was acquired by the Group from third parties and became a wholly-owned subsidiary of the Group since 29 November 2024.

34. RELATED PARTY TRANSACTIONS (CONT'D)

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

	Notes	2024 RMB'000	2023 RMB'000
Sales of goods to:			
Qiyi Century	*(i)*	**640,749**	139,623
Beijing iQIYI	*(i)*	**245,283**	184,811
Xingyu Yinyue	*(i)*	**–**	200
Purchases of goods from:			
Beijing iQIYI	*(ii)*	**233,101**	259,987
Shanghai Paihaoxi	*(ii)*	**60,840**	–
New Navigation	*(ii)*	**10,377**	–
Wuxi Wuyi	*(ii)*	**4,267**	15,474
Shanghai Shaoyin	*(ii)*	**1,038**	–
Dongyang Chestnutbear	*(ii)*	**–**	3,766
Beijing Honeybear	*(ii)*	**–**	2,988
Lease from:			
Shanghai iQIYI	*(iii)*	**765**	–
Co-investment in drama series from:			
New Navigation	*(iv)*	**7,962**	–
Repayments of co-investment to:			
New Navigation	*(iv)*	**943**	–
Interest expense under the co-investment in drama series to:			
New Navigation	*(iv)*	**772**	–

Notes:

(i) The sales to related parties were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.

(iii) Lease from the related party was made according to the published prices and conditions offered by the related party to its major lessee.

(iv) The amount received under the co-investment arrangements without share of copyrights from New Navigation is subject to a fixed interest amount, at a total consideration of RMB1,740,000, and is expected to be repayable within one year.

34. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Outstanding balances with related parties:

(i) Trade and notes receivables

	2024 RMB'000	2023 RMB'000
Qiyi Century	**246,544**	128,000
Beijing iQIYI	**188,201**	39,351
Hainan iQIYI	**–**	40,858
	434,745	208,209

(ii) Prepayments, other receivables and other assets

	2024 RMB'000	2023 RMB'000
Wuxi Wuyi	**1,767**	634
Beijing Haikeyi	**717**	–
Shanghai iQIYI	**204**	–
Shanghai Paihaoxi	**–**	3,070
Dongyang Chestnutbear	**–**	456
	2,688	4,160

(iii) Trade payables

	2024 RMB'000	2023 RMB'000
Beijing iQIYI	**191,063**	225,249
Wuxi Wuyi	**1,081**	–
Shanghai Shaoyin	**519**	–
	192,663	225,249

(iv) Other payables and accruals

	2024 RMB'000	2023 RMB'000
Beijing iQIYI	**153,855**	113,991
Qiyi Century	**6,604**	75,472
New Navigation	**7,791**	–
	168,250	189,463

34. RELATED PARTY TRANSACTIONS (CONT'D)

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

(v) A lease liability

	2024 RMB'000	2023 RMB'000
Shanghai iQIYI	**1,369**	–

(vi) Due from a joint venture

	2024 RMB'000	2023 RMB'000
Xingyu Yinyue	**31,028**	31,028
Impairment	**(31,028)**	(31,028)
	–	–

Considering the financial position and business situation of Xingyu Yinyue with its unclear future profitability, the loan to Xingyu Yinyue is unlikely to be repaid in the foreseeable future. Accordingly, the Group recognised a provision of RMB31,028,000 for the outstanding loan due from Xingyu Yinyue in 2022.

(vii) Due from a director

Details of the Group's balance with a director are included in note 21(c) to the transaction statements.

34. RELATED PARTY TRANSACTIONS (CONT'D)

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

Except for the amount received under the co-investment arrangements without share of copyrights from New Navigation in note 34(a)(iv) above and the amount due from a joint venture as stated and transactions detailed elsewhere in notes 20, 21, 24 and 25, the balances with related parties are unsecured, interest-free and repayable on demand.

Except for the balances with the New Navigation, a joint venture and a director above, the balances with related parties are trade in nature.

The related party transactions in respect of sales of goods to Beijing iQIYI and Qiyi Century, and purchases of goods from Beijing iQIYI also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	**2,828**	3,479
Equity-settled share option expenses	**10,858**	13,630
Pension scheme contributions	**111**	147
Total	**13,797**	17,256

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

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

2024

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial asset at fair value through profit or loss	15,876	–	–	15,876
Notes receivable	–	1,000	–	1,000
Trade receivables	–	–	646,816	646,816
Financial assets included in prepayments, other receivables and other assets	–	–	44,032	44,032
Pledged deposits	–	–	92,289	92,289
Cash and cash equivalents	–	–	79,326	79,326
Total	15,876	1,000	862,463	879,339

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and notes payables	293,835	293,835
Lease liabilities	6,519	6,519
Interest-bearing bank borrowings	283,300	283,300
Financial liabilities included in other payables and accruals	23,150	23,150
Total	602,974	602,974

35. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

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

2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial asset at fair value through profit or loss	11,147	–	–	11,147
Notes receivable	–	40,700	–	40,700
Trade receivables	–	–	513,473	513,473
Financial assets included in prepayments, other receivables and other assets	–	–	56,069	56,069
Restricted cash	–	–	5	5
Pledged deposits	–	–	62,778	62,778
Cash and cash equivalents	–	–	154,389	154,389
Total	11,147	40,700	786,714	838,561

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	300,794	300,794
Lease liabilities	6,935	6,935
Interest-bearing bank borrowings	306,663	306,663
Financial liabilities included in other payables and accruals	4,580	4,580
Total	618,972	618,972

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, amount due from a joint venture, trade and notes payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of the financial assets at fair value through profit or loss have been estimated using discounted cash flow and net assets valuation technique.

The fair values of the notes receivable classified as financial assets at fair value through other comprehensive income under HKFRS 9 as at the end of reporting period have been calculated by discounting the expected future cash flows, which are the par values of the notes receivable. In addition, the notes receivable will mature within one year, and thus their fair values approximate to their carrying values.

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Notes receivable	–	1,000	–	1,000
Financial assets at fair value through profit or loss	–	5,000	10,876	15,876
Total	–	6,000	10,876	16,876

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Notes receivable	–	40,700	–	40,700
Financial assets at fair value through profit or loss	–	–	11,147	11,147
Total	–	40,700	11,147	51,847

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

Fair value hierarchy (cont'd)

The movements in fair value measurements within Level 3 during the reporting period are as follows:

	Investments in unlisted funds RMB'000	Investments in drama series RMB'000	Total RMB'000
Financial assets at fair value through profit or loss			
At 1 January 2023	–	11,402	11,402
Changes in fair value of financial assets at fair value through profit or loss	–	(255)	(255)
At 31 December 2023 and 1 January 2024	–	11,147	11,147
Additions	12,000	–	12,000
Changes in fair value of financial assets at fair value through profit or loss	(1,124)	154	(970)
Disposals	–	(11,301)	(11,301)
At 31 December 2024	10,876	–	10,876

The Group did not have any financial liabilities measured at fair value as at 31 December 2024 and 31 December 2023.

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets included in prepayments, other receivables and other assets, interest-bearing bank borrowings, financial liabilities included in other payables and accruals, pledged deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, trade and notes payables and lease liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (arising from foreign currency dominated financial instruments) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2024			
If the RMB weakens against the US$	**5**	**1,567**	**1,567**
If the RMB strengthens against the US$	**(5)**	**(1,567)**	**(1,567)**
If the RMB weakens against the HK$	**5**	**(10)**	**(10)**
If the RMB strengthens against the HK$	**(5)**	**10**	**10**
2023			
If the RMB weakens against the US$	5	–	–
If the RMB strengthens against the US$	(5)	–	–
If the RMB weakens against the HK$	5	8	8
If the RMB strengthens against the HK$	(5)	(8)	(8)

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

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	679,852	679,852
Notes receivable**	1,000	–	–	–	1,000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	27,616	–	–	–	27,616
– Doubtful**	–	17,112	29,655	–	46,767
Due from a joint venture					
– Doubtful**	–	–	31,028	–	31,028
Pledged deposit					
– Not yet past due	92,289	–	–	–	92,289
Cash and cash equivalents					
– Not yet past due	79,326	–	–	–	79,326
Total	200,231	17,112	60,683	679,852	957,878

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

Credit risk (cont'd)

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

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	554,578	554,578
Notes receivable**	40,700	–	–	–	40,700
Financial assets included in prepayments, other receivables and other assets					
– Normal**	8,537	–	–	–	8,537
– Doubtful**	–	50,881	4,479	–	55,360
Due from a joint venture					
– Doubtful**	–	–	31,028	–	31,028
Restricted cash	5	–	–	–	5
Pledged deposit					
– Not yet past due	62,778	–	–	–	62,778
Cash and cash equivalents					
– Not yet past due	154,389	–	–	–	154,389
Total	266,409	50,881	35,507	554,578	907,375

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of notes receivable and the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in note 20 and note 21 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. The Group had certain concentrations of credit risk.

At the end of the reporting period, the Group had certain concentrations of credit risk as 63.9% (2023: 37.5%) and 92.9% (2023: 63.7%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

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

Liquidity risk

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

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

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

	31 December 2024					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	219,282	65,388	–	–	284,670
Trade and notes payables	276,690	–	18,735	–	–	295,425
Lease liabilities	–	1,242	3,709	2,092	–	7,043
Financial liabilities included in other payables and accruals	15,359	–	8,758	–	–	24,117
Total	292,049	220,524	96,590	2,092	–	611,255

	31 December 2023					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	72,803	212,134	28,497	–	313,434
Trade and notes payables	300,794	–	–	–	–	300,794
Lease liabilities	–	774	3,064	3,431	–	7,269
Financial liabilities included in other payables and accruals	4,580	–	–	–	–	4,580
Total	305,374	73,577	215,198	31,928	–	626,077

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

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

The Group monitors capital using a debt-to-equity ratio, which is net debt divided by total equity multiplied by 100% as at the date indicated. Net debt includes lease liabilities, interest-bearing bank borrowings, trade and notes payables, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The debt-to-equity ratios as at the end of the reporting periods were as follows:

	2024 **RMB'000**	2023 RMB'000
Interest-bearing bank borrowings	**283,300**	306,663
Lease liabilities	**6,519**	6,935
Trade and notes payables	**293,835**	300,794
Less: Cash and cash equivalents	**(79,326)**	(154,389)
Net debt	**504,328**	460,003
Equity attributable to owners of the parent	**1,753,365**	1,738,506
Debt-to-equity ratio	**28.8%**	26.5%

38. EVENTS AFTER THE REPORTING PERIOD

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

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**143,797**	126,816
Total non-current assets	**143,797**	126,816
CURRENT ASSETS		
Inventories	**400**	400
Due from subsidiaries	**1,202,144**	1,234,733
Pledged deposits	**31,309**	–
Cash and cash equivalents	**619**	640
Total current assets	**1,234,472**	1,235,773
CURRENT LIABILITIES		
Other payables and accruals	**594**	267
Total current liabilities	**594**	267
NET CURRENT ASSETS	**1,233,878**	1,235,506
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,377,675**	1,362,322
Net assets	**1,377,675**	1,362,322
EQUITY		
Share capital	**115**	114
Treasury shares	**(28,820)**	(37,375)
Reserves *(note)*	**1,406,380**	1,399,583
Total equity	**1,377,675**	1,362,322

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

Note:

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

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share award and option reserve RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2023	113	1,383,391	(1)	94,571	(42,651)	(91,451)	1,343,972
Total comprehensive loss for the year	–	–	–	–	–	(2,831)	(2,831)
Equity-settled share award and option arrangements	–	–	–	21,469	–	–	21,469
Share options exercised	1	7,715	–	(7,715)	–	–	1
Repurchase of shares	–	–	–	–	(289)	–	(289)
Restricted share units vested	–	3,975	–	(9,540)	5,565	–	–
At 31 December 2023 and 1 January 2024	114	1,395,081	(1)	98,785	(37,375)	(94,282)	1,362,322
Total comprehensive loss for the year	–	–	–	–	–	(1,630)	(1,630)
Equity-settled share award and option arrangements	–	–	–	16,982	–	–	16,982
Share options exercised	1	11,573	–	(11,573)	–	–	1
Restricted share units vested	–	(773)	–	(7,782)	8,555	–	–
At 31 December 2024	115	1,405,881	(1)	96,412	(28,820)	(95,912)	1,377,675

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2025.

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31,				
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024 RMB'000**
Revenue	952,362	1,703,064	980,923	840,663	**1,124,537**
Gross profit	259,821	516,185	219,753	63,257	**151,470**
Profit/(Loss) before tax	48,420	246,159	77,936	(117,486)	**14,309**
Income tax (expense)/credit	(30,228)	(76,781)	(27,929)	9,977	**(17,269)**
Profit/(Loss) for the year	18,192	169,378	50,007	(107,509)	**(2,960)**
Attributable to Owners of the parent	18,430	169,249	50,933	(109,307)	**(2,124)**
Non-controlling interests	(238)	129	(926)	1,798	**(836)**

ASSETS AND LIABILITIES

	As at December 31,				
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024 RMB'000**
Total assets	1,859,920	2,840,567	2,492,563	2,583,628	**2,664,164**
Total liabilities	1,635,283	1,067,335	666,957	844,310	**910,823**
Total equity	224,637	1,773,232	1,825,606	1,739,318	**1,753,341**
Non-controlling interests	930	(100)	(1,026)	812	**(24)**
Equity attributable to owners of the parent	223,707	1,773,332	1,826,632	1,738,506	**1,753,365**

DEFINITIONS AND GLOSSARIES

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

"2021 RSU Scheme"	the restricted share unit scheme adopted by the Company on September 15, 2021, as amended from time to time
"2022 RSU Scheme"	the 2022 restricted share unit scheme adopted by the Company on April 28, 2022, as amended from time to time
"AGM"	the annual general meeting of the Company to be held on Monday, June 16, 2025
"Articles of Association"	the amended and restated memorandum and articles of association of the Company adopted on June 9, 2022 with effect from June 9, 2022 (as amended, supplemented or otherwise modified from time to time)
"Audiovisual Works"	TV series, web series and films as specified in the Copyright Law of the PRC
"Audit Committee"	the audit committee of the Board
"Beijing Strawbear"	Beijing Strawbear Film Co., Ltd. (北京稻草熊影業有限公司), a limited liability company established in the PRC on September 2, 2019 and indirectly controlled by the Company through the Contractual Arrangements
"Beyond Vast"	BEYOND VAST LIMITED, a BVI business company incorporated under the laws of the BVI on August 12, 2020 and wholly owned by Family Trust Singapore, the trustee of the LSS Family Trust
"Board" or "Board of Directors"	the board of Directors of the Company
"broadcasting 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 report
"CEIS"	China Entertainment Industry Summit
"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 report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Taiwan Province, Hong Kong and the Macau Special Administrative Region of the People's Republic of China
"Committee"	a committee established and delegated with the power and authority by the Board to administer the RSU Schemes
"Company" or "the Company"	Strawbear Entertainment Group (稻草熊娱乐集团), an exempted company with limited liability incorporated under the laws of Cayman Islands on January 3, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Consolidated Affiliated Entities"	the entities the Company controls through the Contractual Arrangements, namely Jiangsu Strawbear and its subsidiaries, further details of which are set out in "Contractual Arrangements" in the Prospectus
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Nanjing Strawbear, Jiangsu Strawbear and its registered shareholders, details of which are described in "Contractual Arrangements" in the Prospectus
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context otherwise requires, refers to Mr. Liu, Master Sagittarius and Leading Glory
"Deed of Non-competition"	a deed of non-competition undertakings dated December 18, 2020 entered into by the Group's Controlling Shareholders in favor of the Company (for itself and as trustee for each of the Group's subsidiaries), particulars of which are summarised in the section headed "Relationship with Our Controlling Shareholders" in the Prospectus
"Director(s)"	director(s) of the Company
"drama series"	the content produced for broadcast via TV channels or the internet, which is usually released in episodes that follow a narrative, consisting of TV series and web series
"Eligible Participant(s)"	include the (i) employees of the Company; (ii) senior management of subsidiaries of the Company; and (iii) business partners of the Group (including top artists such as directors, screenwriters, etc.) who the Board or its delegate(s) considers, in their sole discretion, have contributed or will contribute to the Group, and who are not Excluded Persons
"Employee Trust Hong Kong"	Vistra Trust (Hong Kong) Limited, an Independent Third Party professional trust company established in Hong Kong

"Environmental, Social and Governance Committee"	the environmental, social and governance committee of the Board
"Excluded Person"	(i) at the time of the proposed grant of a RSU, any connected person or core connected person of the Company, or (ii) any Eligible Participant who is a resident in a place where the award of the RSUs and/or the vesting and transfer of the Shares underlying the vested RSUs pursuant to the terms of the RSU Schemes is not permitted under the laws and regulations of such place such that in the view of the Board or the Committee, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such Eligible Participant
"Family Trust Singapore"	Vistra Trust (Singapore) Pte. Limited, an Independent Third Party professional trust company established in Singapore
"Glesason Global"	GLESASON GLOBAL LIMITED, a BVI business company incorporated under the laws of the BVI on May 5, 2020 and owned as to 99% by Beyond Vast and 1% by Gold Pisces
"Gold Fish"	Gold Fish Management Holding Limited, a BVI business company incorporated under the laws of the BVI on January 30, 2018 and wholly owned by Ms. Zhai
"Gold Fish Trust"	the discretionary trust established by Ms. Zhai as the settlor and the protector, with Family Trust Singapore as the trustee, details of which are set out in the section headed "History, Reorganisation and Corporate Development" in the Prospectus
"Gold Pisces"	Gold Pisces Holding Limited, a BVI business company incorporated under the laws of the BVI on December 19, 2017 and wholly owned by Ms. Liu
"Golden Basin"	GOLDEN BASIN GLOBAL LIMITED, a BVI business company incorporated under the laws of the BVI on April 1, 2020 and owned as to 99% by Smart Century and 1% by Gold Fish
"Gorgeous Horizon"	GORGEOUS HORIZON LIMITED, a BVI business company incorporated under the laws of the BVI on August 28, 2020 and wholly owned by Success Tale
"Grant Date"	the date (which shall be a business day) on which the grant of a RSU is made to a Selected Participant, being the date of the Grant Letter
"Grant Letter"	the letter pursuant to which RSUs are granted to a Selected Participant
"Grantee(s)"	any Eligible Participant(s) who accepts or is deemed to have accepted a grant of RSUs in accordance with the terms of the RSU Schemes

"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
"Horgos Strawbear"	Horgos Strawbear Film Co., Ltd. (霍爾果斯稻草熊影業有限公司), a limited liability company established in the PRC on August 4, 2016 and indirectly controlled by the Company through the Contractual Arrangements
"Independent Third Party(ies)"	an individual or a company which, to the best of the Director's knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
"IP(s)"	intellectual properties such as existing films, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new drama series or films
"IP reserve(s)"	a reserve of IPs for future production of drama series or films
"iQIYI"	iQIYI, Inc. (stock code: IQ. NASDAQ) and its subsidiaries and consolidated affiliated entities, one of the largest Chinese online video platforms listed in the U.S.
"Jiangsu Strawbear"	Jiangsu Strawbear Film Co., Ltd. (江蘇稻草熊影業有限公司), a limited liability company established in the PRC on June 13, 2014 and indirectly controlled by the Company through the Contractual Arrangements
"Leading Glory"	LEADING GLORY INVESTMENTS LIMITED, a BVI business company incorporated under the laws of the BVI on April 1, 2020 and owned as to 99% by Master Genius and 1% by Master Sagittarius, one of the Group's Controlling Shareholders

"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on January 15, 2021
"Listing Date"	the date, namely January 15, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"LSS Family Trust"	the discretionary trust established by Ms. Liu as the settlor and the protector, with Family Trust Singapore as the trustee
"LXF Family Trust"	the trust established by Mr. Liu as the settlor and the protector, with Family Trust Singapore as the trustee and Master Sagittarius as the beneficiary
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Master Genius"	MASTER GENIUS GLOBAL LIMITED, a BVI business company incorporated under the laws of the BVI on August 28, 2020 and wholly owned by Family Trust Singapore, the trustee of the LXF Family Trust
"Master Sagittarius"	Master Sagittarius Holding Limited, a BVI business company incorporated under the laws of the BVI on December 18, 2017 and wholly owned by Mr. Liu, one of the Group's Controlling Shareholders
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 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 Company's Controlling Shareholders and one of the registered shareholders of Jiangsu Strawbear
"Ms. Liu"	Ms. Liu Shishi (劉詩施), one of the Group's substantial Shareholders and one of the registered shareholders of Jiangsu Strawbear
"Ms. Zhai"	Ms. Zhai Fang (翟芳), an executive Director, the chief operating officer of the Company and one of the registered shareholders of Jiangsu Strawbear

"Ms. Zhao"	Ms. Zhao Liying (趙麗穎), one of the Company's Shareholders and one of the registered shareholders of Jiangsu Strawbear
"Nanjing Strawbear"	Nanjing Strawbear Business Consulting Co., Ltd. (南京稻草熊商務諮詢有限公司), a limited liability company established in the PRC on September 17, 2018 and an indirectly wholly-owned subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"NRTA"	National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), the successor of the State Administration of Press, Publication Radio, Film, and Television of the PRC (中華人民共和國國家新聞出版廣電總局)
"OST"	original sound track, the music that is usually used in TV series, web series, films, motion pictures, or live shows
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by the Company on May 11, 2020, the principal terms of which are summarised in "Appendix IV – Statutory and General Information – D. Other Information – (1) Pre-IPO Share Option Scheme" in the Prospectus
"Pre-IPO Share Options"	the share options granted under the Pre-IPO Share Option Scheme
"Prospectus"	the prospectus of the Company published on December 31, 2020
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2024
"RMB" or "Renminbi"	the lawful currency of the PRC
"RSU Scheme(s)"	2021 RSU Scheme and/or 2022 RSU Scheme
"RSU(s)"	restricted share unit(s) granted under the RSU Scheme(s), each of which represents one underlying Share, and represent a conditional right granted to any Selected Participant under the RSU Scheme(s) 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
"Selected Participant(s)"	any Eligible Participant approved by the Board for participation in the RSU Schemes on the relevant Grant Date

"Service Provider"	any person who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.000025 each
"Shareholder(s)"	holder(s) of the Shares
"Smart Century"	SMART CENTURY VENTURES LIMITED, a BVI business company incorporated under the laws of the BVI on June 24, 2020 and wholly owned by Family Trust Singapore, the trustee of the Gold Fish Trust
"Success Tale"	SUCCESS TALE ENTERPRISES LIMITED, a BVI business company incorporated under the laws of the BVI on August 28, 2020 and wholly owned by Employee Trust Hong Kong, the trustee of the Strawbear Employee Trust
"Trustee(s)"	the trustee (which is independent of and not connected with the Company) appointed by the Company for the administration of the RSU Scheme(s), which initially will be Futu Trustee Limited
"TV"	television
"Taurus Holding"	Taurus Holding Ltd., a BVI business company incorporated under the laws of the BVI on November 28, 2018, one of the Group's substantial shareholders
"TV series"	a series of scripted episodes that needs to obtain a distribution license from the NRTA, which are broadcast on TV channels and/or new media channels such as online video platforms
"US$"	United States dollars, the lawful currency for the time being of the United States
"viewership rating(s)"	an index which indicates the coverage rate of a TV series during a specific period, measured by the number of audience of a particular TV series as a percentage of the total audience

"Voting Arrangement Agreements"	the agreement and supplemental agreement thereof dated November 1, 2018 entered into by, among others, Mr. Liu, Ms. Liu, Ms. Zhai, Ms. Zhao, Ms. Zhang Qiuchen and their respective wholly-owned holding companies (where applicable) regarding certain arrangements for the voting rights in the members of the Group, details of which are set out in "History, Reorganisation and Corporate Development – Voting Arrangement and Lock-up Arrangements" in the Prospectus
"web film"	a film which has a length of more than 60 minutes and can only be broadcast on new media channels such as online video platforms
"web series"	a series of scripted episodes which can only be broadcast on new media channels such as online video platforms

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