Strawbear Entertainment Group
稻草熊娱乐集团

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2125)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

FINANCIAL HIGHLIGHTS

Revenue for the six months ended June 30, 2021 amounted to approximately RMB975.0 million, representing an increase of 68.1% from approximately RMB579.8 million for the same period in 2020.

Gross profit for the six months ended June 30, 2021 amounted to approximately RMB233.7 million, representing an increase of 72.3% from approximately RMB135.6 million for the same period in 2020.

Profit for the six months ended June 30, 2021 amounted to approximately RMB94.5 million, representing an increase of 74.5% from approximately RMB54.1 million for the same period in 2020.

Adjusted net profit* for the six months ended June 30, 2021 amounted to approximately RMB108.4 million, representing an increase of 50.3% from approximately RMB72.1 million for the same period in 2020.

Net assets as of June 30, 2021 amounted to approximately RMB1,705.2 million, representing an increase of 659.1% from approximately RMB224.6 million as of December 31, 2020.

The Board has resolved not to recommend payment of an interim dividend for the six months ended June 30, 2021.

* *The Group defines adjusted net profit as profit for the six months adjusted by adding back changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expense and/or listing expenses incurred during the period.*

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended June 30, 2021 together with the comparative figures for the same period in 2020:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended June 30, 2021

	Notes	**2021 (Unaudited) *RMB'000***	2020 (Audited) *RMB'000*
REVENUE	*5*	**974,983**	579,832
Cost of sales		**(741,261)**	(444,190)
Gross profit		**233,722**	135,642
Other income and gains	*5*	**17,831**	10,448
Selling and distribution expenses		**(76,286)**	(32,364)
Administrative expenses		**(30,555)**	(29,831)
Other expenses		**(622)**	–
Finance costs	*7*	**(5,426)**	(5,513)
Share of profits and losses of joint ventures		**(1,082)**	–
Changes in fair value of financial liabilities at fair value through profit or loss		**(1,610)**	(3,720)
PROFIT BEFORE TAX	*6*	**135,972**	74,662
Income tax expense	*8*	**(41,492)**	(20,534)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**94,480**	54,128
Attributable to:			
Owners of the parent		**94,147**	54,128
Non-controlling interests		**333**	–
		94,480	54,128
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*10*	**14.06 cents**	13.53 cents
Diluted (RMB)	*10*	**13.68 cents**	11.97 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,582**	9,411
Right-of-use assets		**6,447**	7,916
Goodwill		**112,983**	112,983
Other intangible assets		**25,312**	26,192
Investments in joint ventures	*11*	**1,858**	14,818
Deferred tax assets		**13,664**	24,774
Total non-current assets		**167,846**	196,094
CURRENT ASSETS			
Inventories	*12*	**610,109**	856,338
Trade and notes receivables	*13*	**812,752**	440,731
Prepayments, other receivables and other assets	*14*	**286,617**	238,840
Due from joint ventures		**22,985**	–
Restricted cash		**–**	2,319
Pledged deposits	*15*	**30,000**	30,000
Cash and cash equivalents	*15*	**748,020**	95,598
Total current assets		**2,510,483**	1,663,826
CURRENT LIABILITIES			
Trade payables	*16*	**333,481**	238,351
Other payables and accruals	*17*	**372,114**	587,759
Interest-bearing bank and other borrowings	*18*	**184,500**	159,000
Lease liabilities		**2,207**	2,250
Due to a joint venture		**–**	73,295
Tax payable		**21,247**	5,259
Dividend payable		**48,000**	80,000
Total current liabilities		**961,549**	1,145,914
NET CURRENT ASSETS		**1,548,934**	517,912
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,716,780**	714,006

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at June 30, 2021

	Note	**30 June 2021 (Unaudited)** *RMB'000*	31 December 2020 (Audited) *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,716,780**	714,006
NON-CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss		**–**	475,428
Lease liabilities		**3,871**	5,270
Deferred tax liabilities		**7,687**	8,671
Total non-current liabilities		**11,558**	489,369
Net assets		**1,705,222**	224,637
EQUITY			
Equity attributable to owners of the parent			
Share capital	*19*	**111**	–
Reserves		**1,704,036**	223,707
		1,704,147	223,707
Non-controlling interests		**1,075**	930
Total equity		**1,705,222**	224,637

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

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

The shares of the company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 January 2021.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The unaudited interim condensed consolidated financial information have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

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

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in RMB based on the Loan Prime Rate ("**LPR**") in Mainland China as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

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

During the reporting period, no lease payments for the leases of the Group's buildings has been reduced or waived by the lessors. The amendments did not have any impact on the financial position and performance of the Group.

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

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

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the period is set out below:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Customer 1	**754,942**	401,278
Customer 2	**120,283**	N/A*
Customer 3	**N/A***	67,523
Customer 4	**N/A***	60,708

* 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 period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Revenue from contracts with customers	**974,983**	575,004
Revenue from other sources		
Net licensing fee received from investments in drama series as a non-executive producer with share of copyrights	**–**	4,828
	974,983	579,832

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Type of goods or services		
Licensing of the broadcasting rights of drama series	**483,704**	483,136
Made-to-order drama series production	**457,664**	84,906
Others	**33,615**	6,962
Total revenue from contracts with customers	**974,983**	575,004

Geographical markets

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**488,873**	490,098
Services transferred over time	**486,110**	84,906
Total revenue from contracts with customers	**974,983**	575,004

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Government grants *(note)*	**7,265**	2,415
Bank interest income	**2,607**	314
Investment income from financial assets at fair value through profit or loss	**16**	–
Investment income from the co-investment arrangements in drama series	**1**	5
Interest income from loans receivable	**1,106**	6,788
Net foreign exchange differences	**6,681**	677
Gain on disposal of items of property, plant and equipment	**–**	152
Gain on disposal of an associate	**–**	56
Others	**155**	41
	17,831	10,448

Note:

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

6. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Audited)
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**741,261**	415,790
Depreciation of property, plant and equipment		**2,225**	632
Depreciation of right-of-use assets		**1,469**	552
Amortisation of other intangible assets*		**880**	28,402
Government grants	*5*	**(7,265)**	(2,415)
Bank interest income	*5*	**(2,607)**	(314)
Investment income from financial assets at fair value through profit or loss	*5*	**(16)**	–
Interest income from loans receivable	*5*	**(1,106)**	(6,788)
Changes in fair value of financial liabilities at fair value through profit or loss		**1,610**	3,720
Lease payments not included in the measurement of lease liabilities		**1,159**	425
Net foreign exchange differences	*5*	**(6,681)**	(677)
Listing expenses		**3,694**	12,087
Auditor's remuneration		**800**	276
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**3,673**	1,466
Pension scheme contributions		**215**	42
Staff welfare expenses		**159**	126
		4,047	1,634
Gain on disposal of items of property, plant and equipment	*5*	**–**	(152)
Share of profits and losses of joint ventures		**1,082**	–
Loss on disposal of a joint venture		**622**	–
Impairment of trade receivables	*13*	**405**	5,887

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Interest on bank loans	**4,703**	3,145
Interest on other borrowings from third parties	**543**	864
Interest on borrowings from a related party	**–**	1,246
Interest expense under the co-investment arrangements in drama series	**–**	226
Interest on lease liabilities	**180**	32
	5,426	5,513

8. INCOME TAX

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

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

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

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

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law. Nova Film is recognised as High and New Technology Enterprises and was entitled to a preferential tax rate of 15% during the period. Beijing Strawbear is recognised as Small and Low-profit Enterprises, and the first RMB1,000,000 of assessable profits of this subsidiary is taxed at 5% and the remaining assessable profits is taxed at 10% during the period.

The major components of the income tax expense of the Group during the period are analysed as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the period	**31,366**	29,601
Deferred tax	**10,126**	(9,067)
Total tax charge for the period	**41,492**	20,534

9. DIVIDENDS

The Board did not declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the share subdivision on 11 May 2020 on the assumption that the share subdivision had been in effect on 1 January 2019.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect changes in fair value of financial liabilities at fair value through profit or loss, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 30 June 2021, 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 Pre-IPO Share Option Scheme granted by the Company.

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**94,147**	54,128
Less:		
Changes in fair value of financial liabilities at fair value through profit or loss	**(1,610)**	(3,720)
Profit attributable to ordinary equity holders of the parent, before changes in fair value of financial liabilities at fair value through profit or loss	**95,757**	57,848

	For the six months ended 30 June Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**669,648,768**	400,000,000
Effect of dilution – weighted average number of ordinary shares: Share options	**30,500,887**	83,448,729
	700,149,655	483,448,729

11. INVESTMENTS IN JOINT VENTURES

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Share of net assets	**1,858**	14,818

Particulars of joint ventures are as follows:

Name	**Place and date of incorporation and business**	**Nominal value of issued/ registered share capital**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Nanjing Huawen Strawbear Cultural Partnership (Limited Partnership) ("**Nanjing Huawen**")	PRC/Mainland China 29 November 2019	RMB71,000,000	19.72%	Production of drama series
Beijing Honeybear Entertainment Cultural Media Co., Ltd ("**Beijing Honeybear**")	PRC/Mainland China 10 September 2020	RMB3,000,000	51%	Cultural & artistic activities and performance agents
Xiangshan Xingyu Yinyue Culture Media Co., Ltd. ("**Xingyu Yinyue**")	PRC/Mainland China 19 November 2020	RMB5,000,000	51%	Cultural & artistic activities and performance agents
Hainan Miduoqi Entertainment Co., Ltd. ("**Hainan Miduoqi**")	PRC/Mainland China 22 June 2021	RMB3,000,000	49%	Cultural & artistic activities and performance agents

The joint venture, namely Nanjing Huawen, terminated operations and liquidated with the unanimous consent of all partners in May 2021, reclaiming the capital contribution of RMB14,000,000 and resulting in a net loss on disposal of RMB622,000 during the period.

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

	For the six months ended 30 June	
	2021 (Unaudited) *RMB'000*	2020 (Audited) *RMB'000*
Share of the joint venture's profits for the period	**315**	–
Share of the joint ventures' losses for the period	**(1,397)**	–
	(1,082)	–

12. INVENTORIES

	30 June 2021 (Unaudited) ***RMB'000***	31 December 2020 (Audited) *RMB'000*
Raw materials	**115,969**	78,631
Work in progress	**479,846**	331,339
Finished goods	**14,294**	446,368
	610,109	856,338

13. TRADE AND NOTES RECEIVABLES

	30 June 2021 (Unaudited) ***RMB'000***	31 December 2020 (Audited) *RMB'000*
Trade receivables	**793,307**	443,022
Notes receivable	**32,141**	10,000
	825,448	453,022
Impairment	**(12,696)**	(12,291)
	812,752	440,731

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

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

	30 June 2021 (Unaudited) ***RMB'000***	31 December 2020 (Audited) *RMB'000*
Within 3 months	**377,292**	115,162
3 to 6 months	**237,120**	218,206
6 to 12 months	**110,850**	2,268
1 to 2 years	**51,840**	86,291
2 to 3 years	**3,509**	4,169
Over 3 years	**–**	4,635
	780,611	430,731

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 (Unaudited) ***RMB'000***	31 December 2020 (Audited) *RMB'000*
Prepayments	**148,743**	115,103
Prepayments under the co-investment arrangements	**55,408**	52,108
Deposits and other receivables	**42,698**	11,796
Loans receivable	**22,608**	20,182
Deductible input value-added tax	**17,072**	26,791
Prepaid income tax	**88**	5,444
Prepaid listing expenses	**–**	7,416
	286,617	238,840

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021 (Unaudited) ***RMB'000***	31 December 2020 (Audited) *RMB'000*
Cash and bank balances	**399,228**	95,598
Time deposits	**378,792**	30,000
	778,020	125,598
Less: Pledged time deposits:		
Pledged for short term bank loans	**30,000**	30,000
Cash and cash equivalents	**748,020**	95,598

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods within one year depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

16. TRADE PAYABLES

	30 June 2021 (Unaudited) ***RMB'000***	31 December 2020 (Audited) *RMB'000*
Trade payables	**333,481**	238,351

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

	30 June 2021 (Unaudited) ***RMB'000***	31 December 2020 (Audited) *RMB'000*
Within 3 months	**171,874**	89,143
3 to 6 months	**46,650**	64,966
6 to 12 months	**60,323**	29,447
1 to 2 years	**37,193**	50,837
2 to 3 years	**14,196**	3,958
Over 3 years	**3,245**	–
	333,481	238,351

Included in the trade payables were trade payables of RMB58,111,000 (31 December 2020: RMB16,083,000), due to the Group's related parties which were repayable within 120 days, which represented credit terms similar to those offered by the related parties to their major customers.

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

17. OTHER PAYABLES AND ACCRUALS

	30 June 2021 (Unaudited) ***RMB'000***	31 December 2020 (Audited) *RMB'000*
Amount received under the co-investment arrangements without share of copyrights	**–**	11,517
Other payables	**61,088**	66,085
Other tax payables	**15,670**	26,990
Interest payable	**1,240**	308
Payroll and welfare payable	**171**	630
Accrued liabilities	**27,609**	71,223
Contract liabilities	**266,336**	411,006
	372,114	587,759

Included in contract liabilities are advances received from the Group's related parties of RMB264,940,000 (31 December 2020: RMB406,793,000).

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate ***(%)***	**Maturity**	**30 June 2021 (Unaudited)** ***RMB'000***
Current			
Bank loans – secured *(note a)*	**5.66**	**2021**	**130,000**
Bank loans – secured *(note b)*	**4.35**	**2021**	**19,000**
Bank loans – secured *(note b, c)*	**4.35**	**2022**	**4,500**
Bank loans – unsecured	**5.01**	**2021**	**10,000**
Bank loans – unsecured	**4.85**	**2022**	**10,000**
Other borrowing – unsecured *(note d)*	**10.00**	**2021**	**11,000**
			184,500

	Effective interest rate *(%)*	Maturity	31 December 2020 (Audited) *RMB'000*
Current			
Bank loans – secured *(note a)*	5.66	2021	130,000
Bank loans – secured *(note b)*	4.35	2021	19,000
Bank loans – unsecured	5.01	2021	10,000
			159,000

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**173,500**	159,000
Other borrowing repayable:		
Within one year or on demand	**11,000**	–
	184,500	159,000

(a) The Group's bank loans are secured by the pledge of certain of the Group's trade receivables amounting to RMB769,547,000 (31 December 2020: RMB379,791,000) and short term deposits amounting to RMB30,000,000 (31 December 2020: RMB30,000,000) and are guaranteed by subsidiaries.

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

(c) The amounts of RMB4,500,000 of bank loans were secured by a mortgage over the Group's patents which had an aggregate net carrying value of approximately RMB10,634,000 as at 30 June 2021.

(d) The Group's other borrowing as at 30 June 2021 represented the financial investment in certain drama series received from a third party investor and is unsecured and repayable within one year.

19. SHARE CAPITAL

	30 June 2021 (Unaudited) ***US$'000***	31 December 2020 (Audited) *US$'000*
Authorised:		
2,000,000,000 (31 December 2020: 2,000,000,000) ordinary shares of US$0.000025 (31 December 2020: US$0.000025) each	**50**	50
Issued and fully paid:		
687,967,000 (31 December 2020: 400,000,000) ordinary shares of US$0.000025 (31 December 2020: US$0.000025) each	**18**	10

The movement in the Company's share capital during the period is as follows:

	Number of shares in issue	**Share capital** ***RMB'000***	**Share premium** ***RMB'000***	**Total** ***RMB'000***
At 1 January 2020 and 31 December 2020	400,000,000	–	–	–
Conversion of preferred shares issued to the then shareholders to ordinary shares *(note a)*	97,320,000	16	477,022	477,038
Issuance of shares on 15 January 2021 and 10 February 2021 *(note b)*	190,647,000	95	933,365	933,460
Share issue expenses	–	–	(32,788)	(32,788)
At 30 June 2021	**687,967,000**	**111**	**1,377,599**	**1,377,710**

Notes:

(a) Upon completion of the initial public offering, each issued preferred share was converted into an ordinary share. As a result, the financial liabilities for preferred shares were derecognised and recorded as share capital and share premium.

(b) On 15 January 2021, the Company was listed on the Main Board of the Stock Exchange and made a global offering of 165,780,000 ordinary shares (excluding any ordinary shares issued pursuant to the exercise of the over-allotment option) at the offer price of HK$5.88 per share. Pursuant to the over-allotment option granted by the Company to the international underwriters, the Company allotted and issued 24,867,000 additional offer shares on 10 February 2021 at the offer price of HK$5.88 per share.

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 the first half of 2021, by continuously deepening its platform business model and giving full play to its brand influence, the Group effectively integrated high-quality resources in the industry, achieved the large-scale production of content driven by the industrial production model, and recorded a rapid growth in the number of drama series broadcast, revenue, and profit scale. For the six months ended June 30, 2021, the Group's revenue amounted to approximately RMB975.0 million, representing an increase of 68.1% from approximately RMB579.8 million for the six months ended June 30, 2020. For the six months ended June 30, 2021, the Group's profit for the period amounted to approximately RMB94.5 million, representing an increase of 74.5% from approximately RMB54.1 million for the six months ended June 30, 2020.

In addition, the Group's content production capacity has been widely recognized by the market. Since 2017, the Group has been listed as the holder of the Television Drama Production Permit (Class A) (《電視劇製作許可證(甲種)》) for five consecutive years, and became one of the 41 holders of the permit in 2021-2023 as well as the only non-state-owned company holding the permit in Jiangsu province.

The Group believes that, by continuously deepening its platform business model, and constantly enhancing its capability to diversify IP reserves and revenue sources, enhancing the resource integration capability of the entire industry chain and strengthening the industrial production capacity, the Group can deliver more high-quality and diversified content in an efficient and large-scale manner, which will help the Group to maintain its leading position in the industry under the fierce and complex market competition.

The Group's platform business model

The Group's platform business model can effectively integrate key resource elements, such as screenwriters, producers, directors and actors, production studios, quality control specialists and distribution channels, into its well-established ecosystem. Through continuously improving the "comprehensive middle platform" with professional production management and quality control capabilities, our platform business model provides comprehensive commercial services for excellent participants in each production stage, more closely integrates and continuously optimizes the content creation process, and makes content production more efficient to achieve synergies and industrial production.

The Group's comprehensive middle platform services cover the entire production process of drama series, including professional IP evaluation and collection of quality IP resources, systematic deployment and establishment of core crew team of drama series, project capital operation and management, supervision of production process and quality, centralized management of the post-production service providers, formulation and implementation of publicity and distribution strategies, etc. In the first half of 2021, the Group further strengthened the service capability of "comprehensive middle platform" and improved the standardization of the whole process management of drama series production by optimizing internal organization structure and functional division of the middle platform and recruiting more professionals.

In addition, the Television Drama Production Permit (Class A) enables the Group go through simplified procedures of applications for the relevant public record and content review, which might help shorten the production cycle of drama series.

This enabled the Group achieve large-scale production of drama series in the first half of 2021 and a stable endogenous growth in the number of drama series broadcast and pipeline drama series, which further reflected the scale effect of its content production under the platform business model.

For the six months ended June 30, 2021, the Group has broadcasted 9 drama series, representing an increase of 125% in the number of drama series broadcasted as compared with 4 drama series broadcasted for the same period in 2020. For instance, the fantasy drama series, Spirit Realm (靈域), which the Group participated in the production and was starring Fan Chengcheng (范丞丞) and Cheng Xiao (程瀟), and China's first group portrait drama series regarding foreign medical aid, Breath Of Destiny (一起深呼吸), starring Qi Wei (戚薇) and Yang Youning (楊祐寧) were broadcasted in the first half of 2021 and performed well. In addition, as of June 30, 2021, the Group has a number of drama series to be broadcasted, such as Party Group (黨小組) (a modern times revolution drama series starring Zhang Luyi (張魯一), Nie Yuan (聶遠) and Han Xue (韓雪)); Flying To The Moon (月歌行) (a period fantasy drama series starring Zhang Binbin (張彬彬) and Xu Lu (徐璐)); My Bargain Queen (我的砍價女王) (a metropolitan romance drama series starring Lin Gengxin (林更新), Wu Jinyan (吳謹言) and Wu Qilong (吳奇隆)); Handsome Young Master (公子傾城) (a period romance drama series starring Bu Guanjin (卜冠今) and Wang Xingyue (王星越)). All these drama series will be broadcasted in the near future. In addition, the Group continued to improve the industrialization efficiency and actively promoted the development and preparation of various drama series. As of June 30, 2021, the Group also had several drama series that had commenced shooting or were under active preparation, among which: Our Destiny In Self-Redemption (浮圖緣) (a period fantasy drama series starring Wang Hedi (王鶴棣) and Chen Yuqi (陳鈺琪)); The Bachelors (追愛家族) (a modern metropolitan drama series starring Guo Jingfei (郭京飛), Jia Nailiang (賈乃亮), Tan Zhuo (譚卓) and Xiong Ziqi (熊梓淇)); My Girlfriend is The Antidote (我的女友是解藥) (a modern metropolitan drama series starring Jia Yi (嘉羿) and Jin Zixuan (金子璇)) had started shooting. In addition, a modern metropolitan drama series, Legend Of Bikini (乘風踏浪), starring Qiao Shan (喬杉) and Yang Zishan (楊子姍) and a crime drama series, Trap Thieves (鬥賊) starring Huang Jingyu (黃景瑜) and Xiu Rui (修睿) were under preparation. We aim to deliver more quality drama series with highly professional middle platform service capability.

Diversified IP reserves

The Group attaches importance to the reserves and development of IP, and obtains premium IP of various genres from many sources, including Teen drama, Comedy Romance, Office drama, Family drama, period romance, history, and other themes. The diversified and quality IP reserves will help it carry out content layout in multiple circles and multiple segments.

As of June 30, 2021, in addition to the drama series broadcasted and to be broadcasted, the Group had engaged screenwriters to create 13 original screenplays based on its own initial ideas and 34 adapted screenplays based on licensed IPs.

The Group believes that stable and continuous exploration and reserve of quality IP can improve the competitive advantages of the Group's drama series production and enable the efficient and industrial production of drama series. The Group will continue to focus on IP development to deliver more premium content.

Actively promoting external growth

The Group actively promotes external growth and coordinated development of upstream and downstream of the industrial chain through extensive external cooperation and quality industry resources integration. Benefiting from the Group's increasing brand influence, more and more excellent industry participants have joined the Group's ecosystem.

In the first half of 2021, the Group successfully established associates with top screenwriters and directors to jointly explore long-term strategic cooperation, develop and produce high-quality content, further expand industrial chain resources and content reserves, and provide continuous power for endogenous growth. The Group will also continue to use its comprehensive integration ability, continue to seek high-quality partners with the same values and development strategies, improve the production capability and product quality of the content factory, and thus enhance its brand influence.

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 the first half of 2021, the Group continued to strengthen its production and distribution capability. The Group broadcasted seven drama series during the first half of 2021, including Vacation Of Love (假日暖洋洋), One Boat One World (海洋之城). The Group's revenue generated from licensing of broadcasting rights of drama series remained relatively stable at RMB483.7 million for the six months ended June 30, 2021 as compared with RMB483.1 million for the six months ended June 30, 2020. The Group's gross profit margin of licensing of broadcasting rights of drama series increased from 24.1% for the six months ended June 30, 2020 to 43.9% for the six months ended June 30, 2021, primarily attributable to a further decrease in the production cost of drama series due to the platform business model and the Group's ability to grasp the opportunities in the market.

The Group's drama series previously broadcasted has been widely recognized by the audience. Unbending Will (石頭開花) and Inside Man (局中人) which were broadcasted in 2020, won 2020-2021 Jiangsu Province TV Series Award (2020-2021年度江蘇電視劇獎) from Jiangsu Provincial Radio and Television Administration (江蘇省廣播電視局) and Global Recommended Drama series (環球推薦劇集) selected by the Global Times (環球時報).

The Group is committed to providing more quality contents to the public. As of June 30, 2021, the Group had a number of drama series that were under production or at the pre-production stage.

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

The Group has produced made-to-order drama series per online video platforms' order since 2017. With the continuous deepening of the platform business model, the Group's made-to-order drama series production achieved a rapid growth. The Group delivered two made-to-order drama series to iQIYI, namely the fantasy drama series, Spirit Realm (靈域), and group portrait drama series regarding foreign medical aid, Breath Of Destiny (一起深呼吸) in the first half of 2021. The Group has been actively attempting to weave various elements into its drama series. For instance, a large number of special effects was added to Spirit Realm (靈域), a fantasy drama series, in the filming and post-production stage to create a spirit realm world; while Breath Of Destiny (一起深呼吸) told the story about how Chinese doctors dispatched for foreign medical aid keep their professionalism and show the nation's image under harsh circumstances and environment.

The Group's revenue generated from the production of made-to-order drama series increased from RMB84.9 million for the six months ended June 30, 2020 to RMB457.7 million for the six months ended June 30, 2021, primarily attributable to the simultaneous increase in the number and the investment scale of made-to-order drama series. The Group's gross profit margin of production of made-to-order drama series decreased from 16.7% for the six months ended June 30, 2020 to 3.6% for the six months ended June 30, 2021, primarily attributable to the higher post-production cost for Spirit Realm (靈域).

With the rapid growth of online video platforms in terms of the revenue as well as the investment on video content, online video platforms have increased their presence in the drama series production sectors. Made-to-order drama series has become one of the mainstream cooperation models between drama series producers and online video platforms. Through this cooperation model, an online video platform will be able to make full use of external resources to produce its own drama series, and at the same time to participate in the whole production and quality control process of the drama series. Meanwhile, drama series producers will be able to mitigate the pressure on their working capital, to certain extent, at the early stage of the drama series production by capital injection or investment from online video platforms, and lock the distribution channel for the drama series to create a win-win situation. The Group will continue to seize the opportunities from the online video platforms so as to develop its made-to-order drama series business. As of June 30, 2021, the Group had two made-to-order drama series, which were in post-production stage and expected to be broadcasted in 2021. In addition, the Group had a number of drama series that were under production or at the pre-production stage.

(iii) Others

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

OUTLOOK

With the rapid development of information technology and the increasing demand for cultural output, and driven by modern information media, the Group believes that cultural and entertainment industry in China will gradually become one of the important pillars of the development of the digital economy.

Looking forward, the Group will continue to deepen its platform business model and strengthen the service capability as a "comprehensive middle platform" to promote its own resource integration capability, production quality control capability and brand influence, so as to further expand and enhance the cooperation cohesion with excellent industry players, and strengthen quality contents for effective development and scale production effect, which will in turn achieve continuous stable organic growth. The Group will also continue to expand its new business and new segment layout in the cultural and entertainment industry, unleash the value of the entire industry chain to extend our business in a timely manner, and explore derivative opportunities arising from content innovation to realize external growth and diversified monetization.

As of the date of this announcement, the Group is in the process of producing several drama series of different genre, including metropolitan drama series, My Girlfriend is The Antidote (我的女友是解藥), starring Jia Yi (嘉羿) and Jin Zixuan (金子璇); The Bachelors (追愛家族) starring Guo Jingfei (郭京飛), Jia Nailiang (賈乃亮), Tan Zhuo (譚卓) and Xiong Ziqi (熊梓淇); Legend Of Bikini (乘風踏浪) starring Qiao Shan (喬杉) and Yang Zishan (楊子姍); crime drama series, Trap Thieves (鬥賊), starring Huang Jingyu (黃景瑜) and Xiu Rui (修睿); and period legend drama series, Our Destiny In Self-Redemption (浮圖緣), starring Wang Hedi (王鶴棣) and Chen Yuqi (陳鈺琪); and plans to make them be broadcasted in the near future. Moreover, the Group has also prepared to produce drama series for the audience from lower-tier cities to meet the audience's demand for niche content. The Group also continues to develop IP content including Please Bestow The Sedan Chair (請君賜轎) by Yuan Zai (遠在), On The Silent And Lonely Stream (在寂與寞的川流上) by Meiyuzhe (寐語者) and Two Capitals (兩京十五日) by Ma Boyong (馬伯庸) co-developed with CS-BOOKY (博集天卷).

The Group will continue to seek cooperation within the existing content segments industry chain, expand content segments, tap into D2C content market, and develop operation and management services for excellent industry talents and artists. In particular, the Group will continue to seek cooperation with excellent content providers in the content segments to develop quality content, and actively explore business and/or equity cooperation with other quality companies on the other content segments and D2C content segments. The Group will also continue to look for quality industry talents and artists, and empower the production of quality content by providing professional operation and management services.

The Group is committed to enabling the public enjoy diversified and eye-catching exciting content.

IMPACT OF COVID-19

There has been an outbreak of an infectious disease caused by COVID-19. The disease quickly spread across the country and materially and adversely affected the global economy. The outbreak has endangered the health of many people residing in China and significantly disrupted travel and the local economy across the country. The development of such epidemic in China is beyond the Group's control. The Group adopted a strict disease prevention scheme to reduce the risk of its employees from infection of COVID-19. The measures implemented include ventilating the workplaces, daily monitoring the body temperature of employees, organizing nucleic acid testing for all employees and conducting regional home office work in accordance with the epidemic policy.

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

Since the spread of COVID-19 in 2020, in addition to Breath Of Destiny (一起深呼吸), where the production was delayed for approximately 49 days and the Group incurred losses of approximately RMB1.1 million as a result of the spread of COVID-19, there has been no material adverse impact on the on-site filming and/or production of its drama series. Breath Of Destiny (一起深呼吸) had been broadcasted on March 2021.

As of the date of this announcement, the spread of COVID-19 in China has still occurred but the recurrence would not materially and adversely affect the cost of the drama series being filmed by the Group. If COVID-19 continues to spread in the second half of 2021 or the PRC government authorities prohibit it from filming its drama series to avoid a new wave of infections, such events may cause the filming drama series suspended and the process of drama series at pre-production stage delayed, and in turn affect the business operations and financial position of the Group. The Group has business contingency plans in place, including (i) as of June 30, 2021, several drama series of the Group are to be broadcasted successively; (ii) leveraging its strong distribution capability, the Group would seek re-run distribution opportunities for its self-produced drama series and expand its business of licensing of broadcasting rights of outright-purchased drama series, in order to maintain the Group's results of operations and financial positions.

The Group will adhere to take a priority on corporate social responsibility, actively take anti-epidemic actions, fulfill social responsibility, and work hand in hand with industry partners to help one another to move forward.

INTERIM PERIOD REVIEW

Condensed consolidated statement of profit or loss

	Six months ended June 30, 2021 *RMB'000*	2020 *RMB'000*
REVENUE	**974,983**	579,832
Cost of sales	**(741,261)**	(444,190)
Gross profit	**233,722**	135,642
Other income and gains	**17,831**	10,448
Selling and distribution expenses	**(76,286)**	(32,364)
Administrative expenses	**(30,555)**	(29,831)
Other expenses	**(622)**	–
Finance costs	**(5,426)**	(5,513)
Share of profits and losses of joint ventures	**(1,082)**	–
Changes in fair value of financial liabilities at fair value through profit or loss	**(1,610)**	(3,720)
PROFIT BEFORE TAX	**135,972**	74,662
Income tax expense	**(41,492)**	(20,534)
PROFIT FOR THE PERIOD	**94,480**	54,128
Attributable to:		
Owners of the parent	**94,147**	54,128
Non-controlling interests	**333**	–
	94,480	54,128
NON-HKFRS MEASURE[(1)]		
Adjusted net profit[(2)]	**108,367**	72,081

Notes:

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

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

Revenue

The Group's revenue increased from RMB579.8 million for the six months ended June 30, 2020 to RMB975.0 million for the six months ended June 30, 2021, primarily attributable to the increase in revenue generated from production of made-to-order drama series in line with its business development in such business line.

Licensing of the broadcasting rights of drama series

The Group's revenue generated from licensing of broadcasting rights of drama series remained relatively stable at RMB483.7 million for the six months ended June 30, 2021 as compared with RMB483.1 million for the six months ended June 30, 2020. The Group broadcasted seven drama series including Vacation of Love (假日暖洋洋) and One Boat One World (海洋之城) in the first half of 2021.

Made-to-order drama series production

The Group's revenue generated from production of made-to-order drama series increased from RMB84.9 million for the six months ended June 30, 2020 to RMB457.7 million for the six months ended June 30, 2021, primarily due to the changes in the market conditions and its business strategy. As made-to-order drama series production gradually became a main source of content for online video platforms in recent years, the price of made-to-order drama series increased accordingly. The Group delivered Spirit Realm (靈域) and Breath Of Destiny (一起深呼吸) to online video platforms in the first half of 2021, both of which were drama series with larger scale investment compared to Customer First (獵心者) delivered in the same period of 2020.

Others

Others primarily comprise revenues from (i) the net licensing fees received from investments in drama series as a non-executive producer; (ii) product placements for advertisers; (iii) special effects editing and other post-production work for films and drama series generated by Nova Film, a company the Group acquired as subsidiary in June 2020; (iv) the assignment fee received from the copyright of an IP license; and (v) awards for drama series.

Gross Profit and Gross Profit Margin

The Group's gross profit increased significantly by 72.3% from RMB135.6 million for the six months ended June 30, 2020 to RMB233.7 million for the six months ended June 30, 2021. The Group's gross profit margin increase slightly to 24.0% for the six months ended June 30, 2021 from 23.4% for the six months ended June 30, 2020, primarily due to the combined effect of (i) a decrease in the production cost of drama series due to the platform business model; (ii) an increase of gross profit margin of drama series due to great market opportunities; partially offset by (iii) a relatively low gross profit margin of Spirit Realm (靈域), mainly attributable to a higher post-production cost of such fantasy genre.

Other Income and Gains

Other income and gains increased by 70.7% or approximately RMB7.4 million from RMB10.4 million for the six months ended June 30, 2020 to RMB17.8 million for the six months ended June 30, 2021. This was primarily attributable to the increase in government grants of RMB4.9 million and the increase in bank interest income of RMB2.3 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased significantly by 135.7% to RMB76.3 million for the six months ended June 30, 2021 from RMB32.4 million for the six months ended June 30, 2020, primarily because the number of drama series incurring advertising expenses of over RMB1.0 million increased from three in the first half of 2020 to seven in the same period of 2021, most of which were distributed to TV channels or online video platforms and the Group undertook the responsibility of promoting such drama series.

Administrative Expenses

The Group's administrative expenses remained relatively stable at RMB30.6 million for the six months ended June 30, 2021 as compared with RMB29.8 million for the six months ended June 30, 2020, primarily due to (i) the increase in the equity-settled share award expense of RMB6.4 million, which represents share-based compensation expense incurred in relation to its Pre-IPO Share Option Scheme in 2020, (ii) the decrease in listing expenses of RMB8.4 million, and (iii) the increase in the professional services expenses of RMB2.9 million.

Finance Costs

The Group's finance costs remained relatively stable at RMB5.5 million for the six months ended June 30, 2020 and RMB5.4 million for the six months ended June 30, 2021, primarily due to the increase in interest on bank loans of RMB1.6 million in line with the increase in bank loans of RMB38.0 million, partially offset by the decrease in interest on borrowings from a related party of RMB1.2 million due to the repayment of the borrowings from Beijing iQIYI.

Income Tax Expense

The Group's income tax expense increased by 102.1% to RMB41.5 million for the six months ended June 30, 2021 from RMB20.5 million for the six months ended June 30, 2020, primarily due to (i) the increase in taxable profit made in the first half of 2021, and (ii) the increase of deferred tax expense which were primarily impacted by the decrease of accrued expenses.

Non-HKFRS Measure

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

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

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

	Six months ended June 30,	
	2021	2020
	(RMB in thousands)	
Reconciliation of net profit to adjusted net profit		
Net profit for the period	**94,480**	54,128
Add:		
Changes in fair value of financial liabilities at fair value through profit or loss	**1,610**	3,720
Equity-settled share award expense	**8,583**	2,146
Listing expenses	**3,694**	12,087
Adjusted net profit	**108,367**	72,081

Goodwill

The Group's goodwill was RMB113.0 million as of June 30, 2021 and December 31, 2020.

Other Intangible Assets

The Group's other intangible assets decreased from RMB26.2 million as of December 31, 2020 to RMB25.3 million as of June 30, 2021, primarily due to the amortization of intangible assets.

Financial Liabilities at Fair Value through Profit or Loss

The Group's financial liabilities at fair value through profit or loss decreased by 100% from RMB475.4 million as of December 31, 2020 to nil as of June 30, 2021, primarily because the financial liabilities at fair value through profit or loss refer to redeemable preferred shares, which have been converted into ordinary shares immediately prior to the Listing.

CAPITAL STRUCTURE, LIQUIDITY AND CAPITAL RESOURCES

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

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

The Company maintained a healthy financial position in the first half of 2021. The Group's total assets increased from RMB1,859.9 million as of December 31, 2020 to RMB2,678.3 million as of June 30, 2021, whilst the Group's total liabilities decreased from RMB1,635.3 million as of December 31, 2020 to RMB973.1 million as of June 30, 2021. The Group's liabilities-to-assets ratio decreased from 87.9% as of December 31, 2020 to 36.3% as of June 30, 2021.

Historically, the Group financed its capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, net proceeds received from global offering and capital contributions from Shareholders. As of June 30, 2021, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounted to RMB1,548.9 million and RMB748.0 million, respectively, as compared to RMB517.9 million and RMB95.6 million, respectively, as of December 31, 2020.

As of June 30, 2021, all of the cash and cash equivalents of the Group were denominated in RMB, HK$ and US$.

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

As of June 30, 2021, the Group's total interest-bearing bank and other borrowings were approximately RMB184.5 million, all of which were denominated in RMB.

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

As of June 30, 2021, the Group did not have any significant contingent liabilities.

Capital Expenditure

The Group's capital expenditures primarily included purchase of property, plant and equipment. The Group's capital expenditures decreased to RMB0.4 million in the first half of 2021 from RMB1.6 million in the first half of 2020. The Group plans to fund its planned capital expenditures using cash generated from operations as well as the net proceeds from the global offering.

Financial Ratio

Current Ratio

The Group's current ratio increased from 1.45 as of December 31, 2020 to 2.61 as of June 30, 2021, primarily because of the decrease in its current liabilities and the increase in its current assets from December 31, 2020 to June 30, 2021.

Debt to Equity Ratio[1]

The Group's debt to equity ratio was 64.2% as of December 31, 2020 and not applicable as of June 30, 2021 as the ratio became negative, primarily due to the decrease in its net debt which was primarily attributable to the decrease in amounts due to a joint venture and the significant increase in cash and cash equivalents.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as the disposal of Nanjing Huawen set out in Note 11 to the interim condensed consolidated financial information, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2021. As at June 30, 2021, the Group did not hold any significant investments.

PLEDGE OF ASSETS

As at June 30, 2021, the Group's trade receivables, with an aggregate net carrying value of approximately RMB769,547,000 (December 31, 2020: RMB379,791,000), and the pledged deposit amounting to RMB30,000,000 (December 31, 2020: RMB30,000,000) were pledged to secure the bank loans granted to the Group.

RISK MANAGEMENT

Credit Risk

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

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

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

Liquidity Risk

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

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

INTERIM DIVIDEND

The Board has resolved not to recommend payment of an interim dividend for the six months ended June 30, 2021.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2021, the Group had 79 employees, including 50 based in Jiangsu Province, 21 based in Beijing, 3 based in Xinjiang Uyghur Autonomous Region, 2 based in Zhejiang Province and 3 based in Hainan Province. The following table shows a breakdown of the employees by function as of June 30, 2021:

Functions	Number of Employees	% of Total Employees
Management	4	5.1%
Production	22	27.9%
Investment	3	3.8%
Distribution	4	5.1%
Casting	1	1.3%
Marketing and promotion	5	6.3%
Government affairs	1	1.3%
Finance and legal	14	17.7%
Administrative	8	10.1%
Research and development	17	21.4%
Total	**79**	100.0%

For the six months ended June 30, 2021, total staff remuneration expenses including Directors' remuneration amounted to RMB5.0 million. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions made by the Group, performance-based compensation and discretionary bonus.

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

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

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

The net proceeds from the global offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the global offering, amounted to approximately HK$1,071.1 million, which will be utilized in accordance with the purposes as set out in the Prospectus. The following table sets out the intended use of the net proceeds, actual usage up to the end of the Reporting Period as well as the expected timeline for utilization:

		Net proceeds from the global offering and utilization			
	Percentage of the net proceeds from the global offering	**Amount available for utilization** *HK$ in million*	**Amount utilized during the Relevant Period** *HK$ in million*	**Remaining amount as at June 30, 2021** *HK$ in million*	**Expected timeline for utilization**[1]
Funding the drama series production of the Group					
Our Destiny In Self-Redemption (浮圖緣)		76.5	76.5	–	–
Flying To The Moon (月歌行)		100.8	100.8	–	–
Handsome Young Master (公子傾城)		38.6	38.6	–	–
Hello Baby (你好寶貝)		57.0	–	57.0	In the second quarter of 2022[2]
My Mr. Cat (我的貓先生)		68.6	4.1	64.5	In the third quarter of 2021
Steal His Heart (偷走他的心)		68.6	0.1	68.5	In the first quarter of 2022
The Wind Catcher (捕風者)		87.1	1.1	86.0	In 2022
Two Capitals (兩京十五日)		252.6	–	252.6	In 2022
Sub-total	70.0%	749.8	221.2	528.6	

	Net proceeds from the global offering and utilization				
	Percentage of the net proceeds from the global offering	**Amount available for utilization**	**Amount utilized during the Relevant Period**	**Remaining amount as at June 30, 2021**	**Expected timeline for utilization**(1)
		HK$ in million	*HK$ in million*	*HK$ in million*	
Funding potential investment in, or merger and acquisition of, companies that may enhance the Group's market position and ramp up the Group's drama series development, production and distribution	10.0%	107.1	–	107.1	Around 2023
Securing more IPs to guarantee the stable growth of the Group's drama series production and distribution by acquiring one premium copyright company which focuses on investment, development, production and distribution of web series	10.0%	107.1	–	107.1	Around 2023
Working capital and general corporate purposes	10.0%	107.1	107.1	–	–
Total	**100.0%**	**1,071.1**	**328.3**	**742.8**	

Note:

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

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

During the Relevant Period, the Group has utilized net proceeds of HK$328.3 million from the global offering. The remaining net proceeds were deposited in banks as of the date of this announcement. The Group will gradually utilize the proceeds from the global offering in accordance with the intended purposes as set out in the Prospectus.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

MATERIAL LITIGATION

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. As of the date of this announcement, the Audit Committee consists of two independent non-executive Directors and one non-executive Director, being Mr. ZHANG Senquan (chairman of the Audit Committee who holds appropriate accounting qualifications), Ms. ZENG Ying and Mr. CHUNG Chong Sun. The main duties of the Audit Committee are to assist the Board in reviewing compliance, accounting policies and financial reporting procedures; supervising the implementation of the internal audit system; advising on the appointment or replacement of external auditors; and liaising between the internal audit department and external auditors.

REVIEW OF INTERIM RESULTS

The Audit Committee has, together with the management, reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2021, and has recommended for the Board's approval thereof. The unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2021 has not been reviewed by the auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

On July 12, 2021, the Company announced that it has received the deeds of lock-up undertakings (the "**Deeds of Lock-up**") from certain shareholders of the Company (the "**Lock-up Shareholders**") (holding approximately 71.72% of the Shares in aggregate), including the controlling shareholders of the Company. For the purpose of expressing its confidence in the long-term development prospect of the Company, each of the Lock-up Shareholders has undertaken on a voluntary basis that they will not dispose (including but not limited to sell or pledge) the Shares beneficially, directly or indirectly, owned by them or their controlled entities for a period of 6 months from the date of the Deeds of Lock-up in accordance with the terms of the Deeds of Lock-up. For details, please refer to the announcement of the Company dated July 12, 2021.

Save as disclosed above, there was no significant event that might affect the Group after the Reporting Period.

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

This interim results announcement is published on "HKExnews" of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.strawbearentertainment.com), and the interim report for the six months ended June 30, 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of "HKExnews" of the Stock Exchange and the Company in due course.

APPRECIATION

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

DEFINITIONS AND GLOSSARIES

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

"Audit Committee"	the audit committee of the Board
"Beijing Strawbear"	Beijing Strawbear Film Co., Ltd. (北京稻草熊影業有限公司), a limited liability company established in the PRC on September 2, 2019 and indirectly controlled by the Company through the Contractual Arrangements
"Board" or "Board of Directors"	the board of Directors of the Company
"broadcasting rights"	refers to (i) the right of broadcasting (廣播權), in terms of drama series broadcast via TV channels; and (ii) the right to network dissemination of information (信息網絡傳播權), in terms of drama series and films broadcast via online video platforms, for the purpose of this announcement
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board

"China" or the "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	Strawbear Entertainment Group (稻草熊娱乐集团), an exempted company with limited liability incorporated under the laws of Cayman Islands on January 3, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Consolidated Affiliated Entities"	the entities the Company controls through the Contractual Arrangements, namely Jiangsu Strawbear and its subsidiaries, further details of which are set out in "Contractual Arrangements" in the Prospectus
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Nanjing Strawbear, Jiangsu Strawbear and its registered shareholders, details of which are described in "Contractual Arrangements" in the Prospectus
"COVID-19"	Novel coronavirus pneumonia
"Director(s)"	Director(s) of the Company
"drama series"	refers to the content produced for broadcast via TV channels or the internet, which is usually released in episodes that follow a narrative, consisting of TV series and web series
"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 and cents respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Horgos Strawbear"	Horgos Strawbear Film Co., Ltd. (霍爾果斯稻草熊影業有限公司), a limited liability company established in the PRC on August 4, 2016 and indirectly controlled by the Company through the Contractual Arrangements
"IP(s)"	refers to intellectual properties such as existing films, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new drama series or films
"iQIYI"	iQIYI, Inc. (Stock Code: IQ. NASDAQ) and its subsidiaries and consolidated affiliated entities, one of the largest Chinese online video platforms listed in the U.S. with approximately 476.0 million average MAUs in 2019
"Jiangsu Strawbear"	Jiangsu Strawbear Film Co., Ltd. (江蘇稻草熊影業有限公司), a limited liability company established in the PRC on June 13, 2014 and indirectly controlled by the Company through the Contractual Arrangements
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on January 15, 2021
"Listing Date"	the date, namely January 15, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

"Mr. Liu"	Mr. LIU Xiaofeng (劉小楓), Chairman, an executive Director, the chief executive officer of the Company, one of its controlling shareholders and one of the registered shareholders of Jiangsu Strawbear
"Nanjing Strawbear"	Nanjing Strawbear Business Consulting Co., Ltd. (南京稻草熊商務諮詢有限公司), a limited liability company established in the PRC on September 17, 2018 and an indirectly wholly-owned subsidiary of the Company
"Nova Film"	Nova Film Technology (Jiangsu) Co., Ltd. (諾華視創電影科技(江蘇)有限公司), a limited liability company established in the PRC on May 29, 2015 and indirectly controlled by the Company through the Contractual Arrangements
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by the Company on May 11, 2020, the principal terms of which are summarized in "Appendix IV – Statutory and General Information – D. Other Information – (1) Pre-IPO Share Option Scheme" in the Prospectus
"Prospectus"	the prospectus of the Company published on December 31, 2020
"Relevant Period"	the period from the Listing Date to the end of the Reporting Period
"re-run broadcast" or "re-run"	the rebroadcast of a drama series that has previously been broadcast on the TV channel or online video platform, including second-run broadcast and all subsequent broadcasts on any channel
"Reporting Period"	the six-month period from January 1, 2021 to June 30, 2021
"RMB" or "Renminbi"	the lawful currency of the PRC
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.000025 each
"Shareholder(s)"	holder(s) of the Shares
"TV"	television

"TV series"	a series of scripted episodes that needs to obtain a distribution license from the National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), which are broadcast on TV channels and/or new media channels such as online video platforms
"US$"	United States dollars, the lawful currency for the time being of the United States
"web series"	a series of scripted episodes which can only be broadcast on new media channels such as online video platforms

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

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

Hong Kong, August 25, 2021

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