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Strawbear Entertainment Group

稻草熊娱乐集团

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2125)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

FINANCIAL HIGHLIGHTS

Revenue for the six months ended June 30, 2022 amounted to approximately RMB463.6 million, representing a decrease of 52.5% from approximately RMB975.0 million for the same period in 2021.

Gross profit for the six months ended June 30, 2022 amounted to approximately RMB142.9 million, representing a decrease of 38.8% from approximately RMB233.7 million for the same period in 2021.

Profit for the six months ended June 30, 2022 amounted to approximately RMB73.3 million, representing a decrease of 22.4% from approximately RMB94.5 million for the same period in 2021.

Adjusted net profit* for the six months ended June 30, 2022 amounted to approximately RMB85.7 million, representing a decrease of 20.9% from approximately RMB108.4 million for the same period in 2021.

Net assets as of June 30, 2022 amounted to approximately RMB1,833.8 million, representing an increase of 3.4% from approximately RMB1,773.2 million as of December 31, 2021.

The Board has resolved not to declare payment of any interim dividend for the six months ended June 30, 2022.

* *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 respective period.*

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended June 30, 2022 together with the comparative figures for the corresponding period in 2021 as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2022

	<i>Notes</i>	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	5	463,599	974,983
Cost of sales		<u>(320,673)</u>	<u>(741,261)</u>
Gross profit		142,926	233,722
Other income and gains	5	17,904	17,831
Selling and distribution expenses		(16,498)	(76,286)
Administrative expenses		(28,177)	(30,150)
Impairment of trade receivables, net		–	(405)
Other expenses		(188)	(622)
Finance costs		(7,823)	(5,426)
Share of profits and losses of:			
Joint ventures		(1,246)	(1,082)
Associates		(187)	–
Changes in fair value of financial liabilities at fair value through profit or loss		<u>–</u>	<u>(1,610)</u>
PROFIT BEFORE TAX	6	106,711	135,972
Income tax expense	7	<u>(33,436)</u>	<u>(41,492)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>73,275</u>	<u>94,480</u>
Attributable to:			
Owners of the parent		73,518	94,147
Non-controlling interests		<u>(243)</u>	<u>333</u>
		<u>73,275</u>	<u>94,480</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	9	<u>10.9 cents</u>	<u>14.1 cents</u>
Diluted (RMB)	9	<u>10.4 cents</u>	<u>13.7 cents</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		4,329	2,898
Right-of-use assets		6,183	7,828
Goodwill		108,341	108,341
Other intangible assets	<i>10</i>	14,512	14,514
Investments in joint ventures		4,634	5,532
Investments in associates		8,348	6,037
Deferred tax assets		5,014	5,716
		<hr/>	<hr/>
Total non-current assets		151,361	150,866
CURRENT ASSETS			
Inventories	<i>11</i>	1,312,887	1,100,009
Trade and notes receivables	<i>12</i>	722,883	802,959
Prepayments, other receivables and other assets	<i>13</i>	332,867	363,208
Due from a joint venture		30,299	29,590
Pledged deposits		92,121	91,139
Cash and cash equivalents		253,532	302,796
		<hr/>	<hr/>
Total current assets		2,744,589	2,689,701
CURRENT LIABILITIES			
Trade payables	<i>14</i>	171,545	256,828
Other payables and accruals	<i>15</i>	442,149	454,569
Interest-bearing bank and other borrowings	<i>16</i>	380,536	278,341
Lease liabilities		3,052	3,302
Tax payable		7,802	15,893
Dividend payable		48,000	48,000
		<hr/>	<hr/>
Total current liabilities		1,053,084	1,056,933
		<hr/>	<hr/>
NET CURRENT ASSETS		1,691,505	1,632,768
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,842,866	1,783,634
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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at June 30, 2022

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Lease liabilities	2,549	3,889
Deferred tax liabilities	6,496	6,513
Total non-current liabilities	9,045	10,402
Net assets	1,833,821	1,773,232
EQUITY		
Equity attributable to owners of the parent		
Share capital	113	112
Treasury shares	(43,440)	(17,053)
Reserves	1,877,491	1,790,273
	1,834,164	1,773,332
Non-controlling interests	(343)	(100)
Total equity	1,833,821	1,773,232

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 and the Consolidated Affiliated Entities 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 2022 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 2021.

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 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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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*

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Mainland China	463,574	974,983
Others	25	–
	<u>463,599</u>	<u>974,983</u>

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

(b) *Non-current assets*

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

Information about major customers

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

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Customer 1	249,056	754,942
Customer 2	190,566	N/A*
Customer 3	N/A*	120,283
	<u>N/A*</u>	<u>120,283</u>

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<i>Revenue from contracts with customers</i>	463,599	974,983

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Type of goods or services		
Licensing of the broadcasting rights of drama series	461,647	483,704
Made-to-order drama series production	–	457,664
Others	1,952	33,615

Total revenue from contracts with customers	463,599	974,983
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Geographical markets

Mainland China	463,574	974,983
Others	25	–

Total revenue from contracts with customers	463,599	974,983
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	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	463,599	488,873
Services transferred over time	–	486,110

Total revenue from contracts with customers	463,599	974,983
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An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Government grants (<i>note</i>)	12,321	7,265
Bank interest income	1,514	2,607
Interest income from loans receivable	3,187	1,106
Interest income from amount due from a joint venture	709	–
Investment income from financial assets at fair value through profit or loss	–	16
Investment income from the co-investment arrangements in drama series	–	1
Net foreign exchange differences	–	6,681
Others	173	155
	17,904	17,831

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):

	<i>Notes</i>	For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Cost of inventories sold		320,673	741,261
Depreciation of property, plant and equipment		506	2,225
Depreciation of right-of-use assets		1,645	1,469
Amortisation of other intangible assets*	10	2	880
Government grants	5	(12,321)	(7,265)
Bank interest income	5	(1,514)	(2,607)
Investment income from financial assets at fair value through profit or loss	5	–	(16)
Interest income from loans receivable	5	(3,187)	(1,106)
Interest income from amount due from a joint venture	5	(709)	–
Changes in fair value of financial liabilities at fair value through profit or loss		–	1,610
Lease payments not included in the measurement of lease liabilities		33	1,159
Net foreign exchange differences		188	(6,681)
Listing expenses		–	3,694
Auditor's remuneration		800	800
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		4,660	3,673
Equity-settled share award expense		4,084	–
Pension scheme contributions		354	215
Staff welfare expenses		300	159
		9,398	4,047
Share of losses of joint ventures		1,246	1,082
Share of losses of associates		187	–
Loss on disposal of a joint venture		–	622
Impairment of trade receivables, net		–	405

* 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. 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 first year in which revenue was generated. Horgos Strawbear enjoyed the benefit under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang 《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》，and was entitled to such EIT exemption since 2019. According to the Filing Record of Preferential EIT 《企業所得稅優惠事項備案表》，Horgos Strawbear obtained the approval from the PRC tax bureau for entitlement of EIT exemption from 1 January 2019 to 31 December 2023.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law. Wuxi Strawbear, Hainan JiuJun, Hainan Xuxuxing and Hainan Yiming are recognised as Small and Low-profit Enterprises, and the first RMB1,000,000 of assessable profits of these subsidiaries are taxed at 2.5% and the remaining assessable profits are taxed at 10% during the 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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current – Mainland China		
Charge for the period	32,751	31,366
Deferred tax	685	10,126
	<hr/>	<hr/>
Total tax charge for the period	33,436	41,492

8. DIVIDENDS

The Board did not declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the 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 for the period ended 30 June 2022, as adjusted to reflect the shares repurchased under the restricted share unit scheme adopted by the Company in 2021 (“**2021 RSU Scheme**”) and restricted share unit scheme adopted by the Company in 2022 (“**2022 RSU Scheme**”) during the period.

The calculation of the diluted earnings per share amount 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 and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares arising from the restricted share units and the share options.

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>73,518</u>	<u>94,147</u>
Less:		
Changes in fair value of financial liabilities at fair value through profit or loss	<u>–</u>	<u>(1,610)</u>
Profit attributable to ordinary equity holders of the parent, before changes in fair value of financial liabilities at fair value through profit or loss	<u>73,518</u>	<u>95,757</u>
	For the six months ended 30 June	
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	677,516,769	669,648,768
Effect of dilution – weighted average number of ordinary shares:		
Restricted share units	7,234,333	–
Share options	<u>23,421,961</u>	<u>30,500,887</u>
	<u>708,173,063</u>	<u>700,149,655</u>

10. OTHER INTANGIBLE ASSETS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Carrying amount at beginning of period/year	14,514	26,192
Disposal of a subsidiary	–	(10,104)
Amortisation provided during the period/year	(2)	(1,574)
	<u>14,512</u>	<u>14,514</u>

11. INVENTORIES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Raw materials	172,765	144,203
Work in progress	1,108,375	776,873
Finished goods	31,747	178,933
	<u>1,312,887</u>	<u>1,100,009</u>

12. TRADE AND NOTES RECEIVABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade receivables	550,690	712,174
Notes receivable	189,478	108,070
	<u>740,168</u>	<u>820,244</u>
Impairment	(17,285)	(17,285)
	<u>722,883</u>	<u>802,959</u>

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

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 3 months	279,790	232,121
3 to 6 months	8,589	217,522
6 to 12 months	228,257	193,852
1 to 2 years	7,271	51,251
2 to 3 years	9,498	143
Over 3 years	–	–
	533,405	694,889

Included in the Group's trade receivables were amounts due from the Group's related parties of RMB222,706,000 (31 December 2021: RMB240,816,000), which were repayable on credit terms similar to those offered to the major customers of the Group.

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

The Group's trade receivables with an aggregate net carrying value of approximately RMB304,033,000 (31 December 2021: RMB649,438,000), were pledged to secure the bank loans granted to the Group.

As at 30 June 2022, notes receivable of RMB43,000,000 (31 December 2021: RMB20,000,000), whose fair values approximate to their carrying values, were classified as financial assets through other comprehensive income under HKFRS 9, and the remaining notes receivable of RMB146,478,000 (31 December 2021: RMB88,070,000) were measured at amortised cost.

As at 30 June 2022, the Group endorsed certain notes receivable accepted by banks in Mainland China (the "**Endorsed Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**") with a carrying amount in aggregate of RMB18,000,000 (31 December 2021: RMB41,370,000). In addition, as at 30 June 2022, the Group discounted certain notes receivable accepted by certain banks in Mainland China (the "**Discounted Notes**") with a carrying amount in aggregate of RMB118,800,000 (31 December 2021: RMB79,200,000). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**").

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks with an amount of RMB6,000,000 (31 December 2021: RMB40,500,000) as at 30 June 2022, (the "**Derecognised Notes**"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables settled by the Endorsed Notes.

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

At 30 June 2022, the Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade payables settled with an amount of RMB12,000,000 (31 December 2021: RMB870,000), and to recognise the proceeds received from the discount of the remaining Discounted Notes with an amount of RMB118,800,000 (31 December 2021: RMB79,200,000) as short-term loan because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed and Discounted Notes. During the period, the Group recognised the interest expense on the discounted notes receivable amounting to RMB1,975,000 (six months ended 30 June 2021: Nil).

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Prepayments	117,947	177,509
Prepayments under the co-investment arrangements	78,582	76,283
Loans receivable	66,672	31,296
Deductible input value-added tax	57,477	44,541
Deposits and other receivables	11,666	25,431
Prepaid income tax	523	8,148
	<u>332,867</u>	<u>363,208</u>

Included in the prepayments are prepayments to the Group's related parties of RMB126,000 (31 December 2021: RMB4,500,000).

14. TRADE PAYABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade payables	<u>171,545</u>	<u>256,828</u>

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 3 months	31,836	92,640
3 to 6 months	4,800	16,230
6 to 12 months	66,558	103,550
1 to 2 years	41,160	33,608
2 to 3 years	21,500	7,555
Over 3 years	5,691	3,245
	<u>171,545</u>	<u>256,828</u>

Included in the trade payables were trade payables of RMB11,843,000 (31 December 2021: RMB61,944,000), due to the Group's related parties which were repayable within 120 days, which represented credit terms similar to those offered by the related parties to their major customers.

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Contract liabilities	389,677	392,603
Other payables	38,088	42,649
Other tax payables	13,891	13,943
Payroll and welfare payable	493	343
Interest payable	–	484
Accrued liabilities	–	4,547
	442,149	454,569

Included in contract liabilities are advances received from the Group's related parties of RMB324,962,000 (31 December 2021: RMB286,603,000).

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2022 (Unaudited) RMB'000
Current			
Bank loan – secured (<i>note (a)</i>)	5.22	2022	130,679
Bank loan – secured (<i>note (b)</i>)	5.22	2023	21,028
Bank loan – secured (<i>note (c)</i>)	4.60	2023	40,015
Bank loan – unsecured	4.85	2023	10,012
Bank loan – unsecured	4.75	2022	20,026
Bank loan – unsecured	4.40	2023	10,000
Discounted notes receivable – secured (<i>note (e)</i>)	5.00	2022	118,800
Other borrowing – unsecured	8.00	2022	29,976
			380,536

	Effective interest rate (%)	Maturity	31 December 2021 (Audited) RMB'000
Current			
Bank loan – secured (<i>note (a)</i>)	5.22	2022	130,213
Bank loan – secured (<i>note (d)</i>)	5.22	2022	30,048
Discounted notes receivable – secured (<i>note (e)</i>)	5.00	2022	79,200
Bank loan – unsecured	4.85	2022	10,015
Other borrowing – unsecured	8.00	2022	28,865
			278,341
		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Analysed into:			
Bank loans repayable:			
Within one year		350,560	249,476
Other borrowing repayable:			
Within one year or on demand		29,976	28,865
		380,536	278,341

Notes:

- (a) The Group's bank loan is secured by the pledge of certain of the Group's trade receivables amounting to RMB156,033,000 (31 December 2021: RMB544,438,000) and short term deposits amounting to RMB31,021,000 (31 December 2021: RMB30,529,000) and are guaranteed by the Company.
- (b) The Group's bank loan is secured by the pledge of certain of the Group's trade receivables amounting to RMB68,000,000 and is guaranteed by subsidiaries.
- (c) The Group's bank loan is secured by the pledge of certain of the Group's trade receivables amounting to RMB80,000,000.
- (d) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB105,000,000 and was guaranteed by subsidiaries.
- (e) The Group's discounted notes receivable are secured by the pledge of short term deposits amounting to RMB61,100,000 (31 December 2021: RMB60,610,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

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

In the first half of 2022, as the market environment kept evolving, the Group adhered to its development strategy of persevering in producing quality content as a long-termist and creating a full-cycle ecosystem which develops and produces content with self-sourced IP as the core. As a “Servant of Industry”, the Group provided professional business services to distinctive participants in each key session during the creation of films and TV series. By leveraging on the rich industry resources accumulated continuously under its platform operation model, the Group made decisions in a forward-looking manner and timely adjusted its business development strategy. In order to adapt to the rapidly changing and constantly growing demand for quality content, and to prepare for its sustainable growth, the Group also enhanced the internal quality control to allow multi-dimensional assessment and management system for its brand effect and commercial value of the content development, and carried out precise content development targeting different target circles and tiers, audiences and platforms. As of June 30, 2022, the Group reserved a number of drama series of various genres to be broadcast and under preparation.

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

The Group will keep aiming for long-term growth and innovation. By taking a foothold in the fertile land of the outstanding Chinese culture, riding the wave of the digital development trend, and exploring diversified output channels, innovative content and development models, the Group will create and produce more cultural products and services with international brand influences.

The Group's Platform Operation Model

In the first half of 2022, benefiting from the continuous deepening of the Group's platform operation model and the continuous enhancement of the internal middle platform system, various stages in the content production process were able to achieve efficient synergy. The network effect brought by the platform operation model also expedited the gathering and allocation of quality resources. Having a prudent and positive attitude towards the continuous exploration and all-round layout of the content segment and new forms of content also allowed the Group to adapt quickly to the constant changes in content demand in the market. All of the drama series broadcast have been well-received with positive broadcast effect and market response. In addition, the Group's scaled, industrialised and diversified production mode has also given sufficient momentum to the Group's pipeline drama series projects. The drama series to be broadcast include more than ten quality drama series that cover a wide variety of genres and forms. For example: *Cat & Thief* (鬥賊), a contemporary crime drama series starring Huang Jingyu (黃景瑜) and Xiu Rui (修睿); *Never Too Late* (我的助理六十歲), a contemporary metropolitan drama series starring Wang Ziwen (王子文), Deng Jie (鄧婕) and Bai Jingting (白敬亭); *Big Examination* (大考), a contemporary metropolitan drama series starring Chen Baoguo (陳寶國), Wang Qianyuan (王千源) and Hu Xianxu (胡先煦); *Hello Beautiful Life* (心想事成), a metropolitan emotion drama series starring Mao Xiaotong (毛曉彤), Zhang Li (張儷) and Li Zefeng (李澤鋒); *Legend of Bikini* (乘風踏浪), a contemporary metropolitan drama series starring Qiao Shan (喬杉) and Yang Zishan (楊子姍); *Never Give Up* (今日宜加油), a metropolitan comedy starring Zheng Kai (鄭愷), Wang Hedi (王鶴棣) and Chen Yuqi (陳鈺琪); *Summer Flower* (夏花), a metropolitan romance drama series starring Jerry Yan (言承旭) and Xu Ruohan (徐若晗); *My Girlfriend is The Antidote* (我的女友是解藥), a metropolitan romance comedy starring Jia Yi (嘉羿) and Jin Zixuan (金子璇); as well as *Memories Lost at 97° East Longitude* (失落在東經97度的記憶), a modern revolution drama series starring Huang Jingyu (黃景瑜) and Xin Zhilei (辛芷蕾).

We will leverage on our industrial advantage and professional business service capability to provide our various business partners in the film and television industry with more standardised, refined and customised operation management services. We will also adhere to cultural inheritance and innovation and create more high-quality drama series.

Diversified Business Partners and Forms of Cooperation

Against the backdrop of rapid development in information science technology and gradual stabilization of the industry competition landscape, the Group has stayed close to the market trend and continuously explored potential business partners and diversified combinations of forms of cooperation with its years of experience in the industry and capability to quickly consolidate quality resources. The Group has conducted professional analysis on the target circles and tiers and various audiences of the drama series broadcast through different platforms, and then developed content based on the evident style/preference of different broadcast platforms. The Group further made use of its own platform to quickly allocate quality resources so as to precisely launch customised content products, in order to enhance the sustainability and stability of the Group's drama series project development. In addition to the existing content production mode and customer structure, the Group is also actively exploring and developing D2C content, online-offline real-scene interaction based on quality IP and cooperative development opportunities with domestic and overseas streaming platform.

In the first half of 2022, the Group also continued to widen and deepen cooperation with outstanding industry talents and artists. By using various means, such as business/equity cooperation and equity incentive mechanisms, the Group increased its cooperation stickiness with those outstanding artists who are scarce resources of the industry and play important roles in the Group's drama series project production, to further attract industrial talents and outstanding artists to join the Group's content ecosystem and empowering the production of quality content.

Diversified IP Reserves

The Group attaches importance to IP reserve and development, continuously accumulating quality IP while optimising IP structure. By leveraging on its resource advantage to search for quality resources, the Group also continuously enhances the evaluation dimension and market sensitivity of its content evaluation team, as well as attaching importance to the quality and stable quantity of IP development. Meanwhile, the Group prioritises IP development and strengthens original creation and research and development. The Group cooperates with top-notch screenwriting teams at the initial stages of IP development, laying a solid foundation for achieving serialised and branded operations of high-quality IP.

As of June 30, 2022, in addition to the drama series broadcast and to be broadcast, the Group engaged screenwriters to create more than 10 original IPs based on its initial ideas and more than 30 adapted IPs based on licenced IPs, including teen drama, sweet idol drama, office drama, metropolitan emotion drama, family drama, comedy, history drama, period legend and more. Having a diversified quality IP reserve will help us in achieving a content layout with multiple target circles and tiers and diversified segments.

The Group believes that a continuous and stable creation, discovery and reserve of quality IP can increase the Group's core competitive edge in terms of content production and help empower "Cost Reduction and Efficiency Enhancement" for content production. The Group will continue to focus on developing IPs so as to produce content with better quality.

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

As of June 30, 2022, the Group produced and/or distributed but yet to broadcast seven TV series and five 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 June 30, 2022	Expected Broadcasting Time
TV Series						
Cat & Thief (鬥賊)	Crime	Gong Zhaohui (龔朝暉), Huang Jingyu (黃景瑜), Xiu Rui (修睿)	Production and distribution	Adaptation	Post-production	2023
Legend of Bikini (乘風踏浪)	Metropolitan	Zhang Silin (張思麟), Qiao Shan (喬杉), Yang Zishan (楊子姍)	Production and distribution	Original	Post-production	2022
Never Too Late (我的助理六十歲)	Metropolitan	Ding Pei (丁培), Wang Ziwen (王子文), Deng Jie (鄧婕), Bai Jingting (白敬亭)	Production and distribution	Original	Post-production	2022
Big Examination (大考)	Metropolitan	Shen Yan (沈嚴), Chen Baoguo (陳寶國), Wang Qianyuan (王千源), Hu Xianxu (胡先煦)	Production	Original	Post-production	2022
Never Give Up (今日宜加油)	Comedy	Wu Qiang (吳強), Yu Zhongzhong (于中中), Zheng Kai (鄭愷), Wang Hedi (王鶴棣), Chen Yuqi (陳鈺琪)	Production and distribution	Adaptation	Post-production	2022
Hello Beautiful Life (心想事成)	Metropolitan	Liu Yizhi (劉一志), Mao Xiaotong (毛曉彤), Zhang Li (張儷), Li Zefeng (李澤鋒)	Production and distribution	Original	Post-production	2022
Memories Lost at 97° East Longitude (失落在東經97度的記憶)	Modern Spy War	Xie Ze (謝澤), Huang Jingyu (黃景瑜), Xin Zhilei (辛芷蕾)	Production and distribution	Original	Post-production	2023
Web Series						
Flying To The Moon (月歌行)	Period Legend	Lin Jianlong (林健龍), Zhang Binbin (張彬彬), Xu Lu (徐璐)	Production	Adaptation	Post-production	2022
My Girlfriend is The Antidote (我的女友是解藥)	Metropolitan	Ma Ming (馬鳴), Jia Yi (嘉羿), Jin Zixuan (金子璇)	Production and distribution	Original	Post-production	2022
Our Destiny In Self-Redemption (浮圖緣)	Period Legend	Wu Qiang (吳強), Wang Hedi (王鶴棣), Chen Yuqi (陳鈺琪)	Production and distribution	Adaptation	Post-production	2022
Thousand Years For You (請君) ⁽¹⁾	Period Legend	Zheng Weiwen (鄭偉文), Ren Jialun (任嘉倫), Li Qin (李沁)	Production	Adaptation	Post-production	2022
Summer Flower (夏花)	Metropolitan	Chen Zhoufei (陳宙飛), Jerry Yan (言承旭), Xu Ruohan (徐若晗)	Production	Adaptation	Post-production	2022

⁽¹⁾ The translation name of the drama series Welcome (請君) had been changed to Thousand Years For You (請君).

The Group continuously raises its requirements for content quality and drama series quality in project development and production. Not only does the Group seek to diversify genres to cover realism, comedy, teen and period dramas, but also keep abreast with the times and actively set the trend for mainstream businesses. Among all drama series, Big Examination (大考) which is to be broadcast has been promoted several times as key drama series at the project promotion event of the NRTA. Big Examination (大考) features about how the college entrance examinees “born in the year of SARS and took the examination in the year of COVID-19” are supported by society in various aspects.

As of June 30, 2022, the Group had several TV series/web series that had applied for public record and registered with the local counterparts of the NRTA. The table below sets forth certain details of some of the Group’s pipeline drama series projects:

Proposed Name of the Drama Series	Genre	Copyright Ownership	Status as of June 30, 2022	Time of Public Record
TV Series				
In The Name Of Handsome (以英俊之名)	Metropolitan	The Group	Pre-production	2021
My Mr. Cat (我的貓先生)	Metropolitan	The Group	Pre-production	2020
Love is a Thief (謝你不娶之恩)	Metropolitan	The Group	Pre-production	2020
She’s the Prosecutor (她是檢察官)	Metropolitan	Jointly owned with its co-investor	Pre-production	2020
You are Desire (白日夢我)	Metropolitan	The Group	Under production	2022
Lies (沒有我的城)	Modern Revolution	The Group	Pre-production	2020
On The Silent And Lonely Stream (在寂與寞的川流上)	Metropolitan	The Group	Pre-production	2021
Web Series				
Kunio Warriors Of Sky And Song (天行九歌之國士無雙)	Period Legend	The Group	Pre-production	2021
Romance of Two Kingdoms in East Yangtze (鳶弈長洲)	Period Legend	Jointly owned with its co-investor	Pre-production	2020
Diary on Wage Hike (加薪日記)	Metropolitan	The Group	Pre-production	2020

Business Analysis by Business Line

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

In the first half of 2022, the Group delivered three drama series, including *The Bachelors* (追愛家族). The Group's revenue generated from licensing of broadcasting rights of drama series remained relatively stable at RMB461.6 million for the six months ended June 30, 2022 as compared with RMB483.7 million for the six months ended June 30, 2021.

The Group continued to enhance its control over the quality of drama series, and with the continuous deepening of the platform operation model and the empowerment of high-quality industry resources, the Group has rapidly increased its efficiency in production and distribution. For example, the production of *The Bachelors* (追愛家族), a drama series produced and distributed by the Group, was started filming in June 2021, and the whole process from filming to post-production and distribution was completed within 10 months. This drama series was broadcast on several online video platforms and TV channels in March 2022, which features a story of a retired teacher, who has been widowed for years, and his three sons with different personalities bravely pursue love and forge ahead. After the drama series was broadcast, good broadcasting effect and market response had been received. The Group will also continue to explore the way to create a virtuous cycle between its production capacity and the product quality in order to improve the quality of its drama series.

As of June 30, 2022, the Group has a large number of high-quality and diverse drama series to be broadcast or pipeline drama series planned to be broadcast in the near future. For example, *Cat & Thief* (鬥賊), a crime comedy about the battle of wits between a detective and the “king of thieves”; *Legend Of Bikini* (乘風踏浪), a metropolitan drama series about people who make swimsuit in Xingcheng riding on the wind of reform to successfully start a business; *Hello Beautiful Life* (心想事成), a metropolitan drama series about sisters with very different personalities being loyal to their hearts to fight for themselves and pursue a better life against dull routine; *Memories Lost at 97° East Longitude* (失落在東經97度的記憶), a modern spy war drama series about the Chinese Communist Party underground party members who were lurking in the Bureau of Investigation and Statistics (BIS) in the late period of the Second Sino-Japanese War, fighting to the death with the enemy and smashing various conspiracies after memory lost; and *Never Give Up* (今日宜加油), a group portrait metropolitan comedy about daily life of ordinary strivers.

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

The Group's revenue generated from made-to-order drama series production was RMB457.7 million for the six months ended June 30, 2021. For the six months ended June 30, 2022, the Group had not yet recognised revenue from made-to-order drama series production business, which was mainly attributable to the fact that the Group's made-to-order drama series have not been broadcast during the first half of the year. No made-to-order drama series was delivered to customers for the six months ended June 30, 2022.

As of June 30, 2022, the Group has a number of high-quality made-to-order drama series to be broadcast in the near future. For example, Big Examination (大考), a metropolitan drama series about how the college entrance examinees "born in the year of SARS and took the examination in the year of COVID-19" are supported by society in various aspects; Summer Flower (夏花), a metropolitan romance drama series about the love story between a young girl and a middle-aged man; and Thousand Years For You (請君), a Republican era fantasy romance drama series about the love story between the thousand-year-old General and the righteous female chief of brigands.

(iii) Others

The Group's other business primarily includes assignment of copyright of IP licence(s) held by the Group to the independent third party/parties.

OUTLOOK

Looking forward, the Group will continue to adhere to the concept of "organic growth" and improve the output rate of "high-quality drama series" by emphasising the development and production of content products with self-sourced IP as the core. The Group will actively expand various types of business partners and customers and regard quality content as its core resource and leverage its enduring value to strengthen the Group's position in the content ecosystem. The Group will continue to provide efficient interactive platforms and solutions for business partners and customers, and actively explore innovation in business models, thereby optimising product and customer structure. The Group will continue to develop original and serialised IP to achieve serialised and branded operations of high-quality IP; and further explore new segments in cultural and entertainment industry, actively expand overseas content market, OST segment as well as develop cooperation channel and business model for offline live-action interactive entertainment, and explore diversified monetisation channel and revenue model.

The Group is determined to make great strides forward hand in hand with industry participants to share diverse and high-quality premium content for the public.

IMPACT OF COVID-19

There has been an outbreak of an infectious disease caused by COVID-19. The disease quickly spread within the PRC and globally and materially and adversely affected the global economy. The outbreak has endangered the health of many people residing in China and significantly disrupted travel and the local economy across the country. However, the Chinese government adopted several effective measures to curb spread of the outbreak. At the same time, the Group also adopted a strict disease prevention scheme to reduce the risk of its employees from infection of COVID-19.

As of the date of this announcement, the spread of COVID-19 in China recurred but the recurrence did not materially and adversely affect the cost of the drama series being filmed by the Group and did not have material adverse impact on the operation, financial condition, and cash flows of the Group. If COVID-19 continues to spread in the second half of 2022 or the PRC government authorities prohibit the Group from filming its drama series to avoid a new wave of infections, such events may cause the filming drama series suspended and the process of drama series at pre-production stage delayed, and in turn affect the business operations and financial position of the Group.

The Group does not expect the outbreak of COVID-19 would have a significant impact on its business operations and financial condition primarily because its business activities mainly involve drama series and films production and the licensing of the copyrights of drama series and films. In the specific process of production, the Group carefully selects on-site filming location, and films/produces drama series in film bases with a complete and mature filming management system and a strict pandemic prevention and control mechanism. Most of these film bases implement enclosed management and are less affected by the pandemic. Except for on-site filming, the Group's early-stage preparations, screenwriters, post-production partners and employees can work remotely and communicate with each other through mobile phones, computers, the internet and other media tools to facilitate the progress of each project in a timely manner. Except for the costs in association with drama series and films, the Group's monthly fixed costs, such as employee expenses and rental expenses are relatively lower.

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

INTERIM PERIOD REVIEW

Condensed consolidated statement of profit or loss

	Six months ended June 30,	
	2021	2022
	<i>(RMB in thousands)</i>	
REVENUE	974,983	463,599
Cost of sales	<u>(741,261)</u>	<u>(320,673)</u>
Gross profit	233,722	142,926
Other income and gains	17,831	17,904
Selling and distribution expenses	(76,286)	(16,498)
Administrative expenses	(30,150)	(28,177)
Impairment of trade receivables	(405)	–
Other expenses	(622)	(188)
Finance costs	(5,426)	(7,823)
Share of profits and losses of joint ventures	(1,082)	(1,246)
Share of profits or losses of associates	–	(187)
Changes in fair value of financial liabilities at fair value through profit or loss	<u>(1,610)</u>	<u>–</u>
PROFIT BEFORE TAX	135,972	106,711
Income tax expense	<u>(41,492)</u>	<u>(33,436)</u>
PROFIT FOR THE PERIOD	<u>94,480</u>	<u>73,275</u>
Attributable to:		
Owners of the parent	94,147	73,518
Non-controlling interests	<u>333</u>	<u>(243)</u>
	<u>94,480</u>	<u>73,275</u>
NON-HKFRS MEASURE⁽¹⁾		
Adjusted net profit ⁽²⁾	<u>108,367</u>	<u>85,701</u>

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 decreased from RMB975.0 million for the six months ended June 30, 2021 to RMB463.6 million for the same period in 2022, primarily attributable to the decrease in revenue generated from production of made-to-order drama series as the Group's made-to-order drama series have not been broadcast during the first half of the year. The following table sets forth the Group's revenue by business line in the first half of 2021 and 2022.

	Six months ended June 30,			
	2021		2022	
	<i>(RMB in thousands, except percentages of revenue)</i>			
Licensing of the broadcasting rights of drama series	483,704	49.6%	461,647	99.6%
Made-to-order drama series production	457,664	46.9%	–	–
Others	33,615	3.5%	1,952	0.4%
Total	<u>974,983</u>	<u>100.0%</u>	<u>463,599</u>	<u>100.0%</u>

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 RMB461.6 million for the six months ended June 30, 2022 as compared with RMB483.7 million for the six months ended June 30, 2021. The Group delivered three drama series including The Bachelors (追愛家族) in the first half of 2022.

Made-to-order drama series production

The Group's revenue generated from production of made-to-order drama series was RMB457.7 million for the six months ended June 30, 2021. For the six months ended June 30, 2022, the Group had not yet recognised revenue from made-to-order drama series production, which was mainly attributable to the fact that the Group's made-to-order drama series have not been broadcast during the first half of the year. No made-to-order drama series was delivered to customers for the six months ended June 30, 2022.

Others

Others primarily comprise revenues from the assignment fee received from the copyright of an IP licence.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased from RMB233.7 million for the six months ended June 30, 2021 to RMB142.9 million for the six months ended June 30, 2022. The Group's gross profit margin increased to 30.8% for the six months ended June 30, 2022 from 24.0% for the six months ended June 30, 2021, primarily due to the combined effect of (i) a decrease in the production cost of drama series; and (ii) a decrease in fantasy drama series with relatively low gross profit margin, mainly attributable to a higher post-production cost.

The following table sets forth the Group's gross profit and gross profit margin by business line in the first half of 2021 and 2022.

	Six months ended June 30,			
	2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>(RMB in thousands, except gross profit margin)</i>			
Licensing of the broadcasting rights of drama series	212,394	43.9%	142,919	31.0%
Made-to-order drama series production	16,299	3.6%	–	–
Others	5,029	15.0%	7	0.4%
Total	<u>233,722</u>	<u>24.0%</u>	<u>142,926</u>	<u>30.8%</u>

Other Income and Gains

Other income and gains remained relatively stable at RMB17.9 million for the six months ended June 30, 2022 as compared with RMB17.8 million for the six months ended June 30, 2021, primarily due to (i) the increase in government grants of RMB5.1 million, (ii) the increase in interest income from loans receivable of RMB2.1 million, and partially offset by (iii) the decrease in net foreign exchange differences of RMB6.7 million.

Selling and Marketing Expenses

The Group's selling and distribution expenses decreased significantly by 78.4% to RMB16.5 million for the six months ended June 30, 2022 from RMB76.3 million for the six months ended June 30, 2021, primarily due to the decrease in number of drama series distributed to TV channels as the Group undertook the responsibility of promoting such drama series.

Administrative Expenses

The Group's administrative expenses decreased by 7.8% to RMB28.2 million for the six months ended June 30, 2022 as compared with RMB30.2 million for the six months ended June 30, 2021, primarily due to (i) the increase in the equity-settled share award expense of RMB3.8 million, and partly offset by (ii) the decrease in listing expenses of RMB3.7 million, and (iii) the decrease in the amortisation of intangible assets of RMB1.4 million due to the disposal of Nova Film in November 2021.

Finance Costs

The Group's finance costs increased by 44.2% to RMB7.8 million for the six months ended June 30, 2022 from RMB5.4 million for the six months ended June 30, 2021, primarily due to the increase in interest on discounted notes receivables of RMB2.0 million.

Income Tax Expense

The Group's income tax expense decreased by 19.4% to RMB33.4 million for the six months ended June 30, 2022 from RMB41.5 million for the six months ended June 30, 2021, primarily due to the decrease of deferred tax expense which were impacted by the provision of accrued expenses.

Non-HKFRS Measure

To supplement its historical financial information which are presented in accordance with HKFRS, the Group also uses adjusted net profit as an additional financial measure, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. The Group believes that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of its operating performance. The Group believes that this measure provides useful information to investors and others in understanding and evaluating its results of operations in the same manner as it helps the Group's management. However, the Group's presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has 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	2022
	<i>(RMB in thousands)</i>	
Reconciliation of net profit to adjusted net profit		
Net profit for the period	94,480	73,275
Add:		
Changes in fair value of financial liabilities at fair value through profit or loss	1,610	–
Equity-settled share award expense	8,583	12,426
Listing expenses	3,694	–
Adjusted net profit	<u>108,367</u>	<u>85,701</u>

OTHER FINANCIAL INFORMATION

Consolidated statement of financial position (selected items)

	As of December 31, 2021	As of June 30, 2022
	<i>(RMB in thousands)</i>	
Total non-current assets	150,866	151,361
Total current assets	2,689,701	2,744,589
Total current liabilities	1,056,933	1,053,084
Net current assets	1,632,768	1,691,505
Total non-current liabilities	10,402	9,045
Net assets	<u>1,773,232</u>	<u>1,833,821</u>

Inventories

	As of December 31, 2021	As of June 30, 2022
	<i>(RMB in thousands)</i>	
Raw materials	144,203	172,765
Work in progress	776,873	1,108,375
Finished goods	178,933	31,747
Total	<u>1,100,009</u>	<u>1,312,887</u>

The Group's inventories increased by 19.4% to RMB1,312.9 million as of June 30, 2022 from RMB1,100.0 million as of December 31, 2021, primarily due to the increase in work in progress of RMB331.5 million, since the drama series under preparation as of June 30, 2022 increased from that of December 31, 2021. The increase was partially offset by the decrease in finished goods of RMB147.2 million as the Group broadcasted several of its drama series, such as Bachelors (追愛家族).

Goodwill

The Group's goodwill was RMB108.3 million as of June 30, 2022 and December 31, 2021.

Other Intangible Assets

The Group's other intangible assets was RMB14.5 million as of June 30, 2022 and December 31, 2021.

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.

On November 9, 2021, 6,780,000 new Shares, representing approximately 1.0% of the total number of Shares in issue of the Company as of the date of this announcement, were allotted and issued by the Company to the trustee under the RSU Scheme to hold on trust for the grantees of the RSUs. For details, please refer to the announcement of the Company dated November 4, 2021.

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

The Company maintained a healthy financial position in the first half of 2022. The Group's total assets increased from RMB2,840.6 million as of December 31, 2021 to RMB2,896.0 million as of June 30, 2022, whilst the Group's total liabilities decreased from RMB1,067.3 million as of December 31, 2021 to RMB1,062.1 million as of June 30, 2022. The Group's liabilities-to-assets ratio decreased from 37.6% as of December 31, 2021 to 36.7% as of June 30, 2022.

Historically, the Group financed its capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, net proceeds received from global offering and capital contributions from Shareholders. As of June 30, 2022, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounted to RMB1,691.5 million and RMB253.5 million, respectively, as compared to RMB1,632.8 million and RMB302.8 million, respectively, as of December 31, 2021.

As of June 30, 2022, all of the cash and cash equivalents of the Group were denominated in RMB.

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, 2022, the Group's total interest-bearing bank and other borrowings were approximately RMB380.5 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.

Contingent Liabilities

As of June 30, 2022, the Group did not have any significant contingent liabilities.

Capital Expenditure

The Group's capital expenditures primarily included purchase of property, plant and equipment. The Group's capital expenditures increased to RMB2.1 million in the first half of 2022 from RMB0.4 million in the first half of 2021. The Group plans to fund its planned capital expenditures using cash generated from operations as well as the net proceeds from the global offering.

Financial Ratio

Current Ratio

The Group's current ratio increased from 2.54 as of December 31, 2021 to 2.61 as of June 30, 2022, primarily attributable to the increase in its current assets.

Debt to Equity Ratio⁽¹⁾

The Group's debt to equity ratio was not applicable as of December 31, 2021 and was 7.2% as of June 30, 2022.

⁽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, due to a joint venture and due to a related party deduct cash and cash equivalents) divided by total equity as of the relevant dates multiplied by 100%.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2022. As of June 30, 2022, the Group did not hold any significant investments and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as of June 30, 2022.

PLEDGE OF ASSETS

As of June 30, 2022, the Group's trade receivables, with an aggregate net carrying value of approximately RMB304,033,000 (December 31, 2021: RMB649,438,000), and the pledged deposit amounting to RMB92,121,000 (December 31, 2021: RMB91,139,000) 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 recognised and creditworthy third parties. Receivable balances are monitored on an on-going basis.

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

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.

INTERIM DIVIDEND

The Board has resolved not to declare payment of any interim dividend for the six months ended June 30, 2022.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2022, the Group had 63 employees, including 24 based in Jiangsu Province, 27 based in Beijing, 3 based in Xinjiang Uyghur Autonomous Region, 3 based in Zhejiang Province and 6 based in Hainan Province. The following table shows a breakdown of the employees by function as of June 30, 2022:

Functions	Number of Employees	% of Total Employees
Management	4	6.3%
Production	21	33.3%
Financing and investment	2	3.2%
Distribution	3	4.8%
Casting	2	3.2%
Marketing and promotion	6	9.5%
Government affairs	1	1.6%
Finance and legal	14	22.2%
Corporate Compliance	1	1.6%
Administrative	8	12.7%
Overseas development	1	1.6%
Total	63	100.0%

For the six months ended June 30, 2022, total staff remuneration expenses including Directors' remuneration amounted to RMB19.4 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 also adopted Pre-IPO Share Option Scheme and RSU Schemes to reward the selected employees for their contribution to the growth and development of the Group.

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

USE OF PROCEEDS FROM 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 has resolved to re-allocate part of the unutilised Net Proceeds of approximately HK\$635.7 million (approximately 59.4% of the Net Proceeds), of which (i) HK\$528.6 million originally intended to be used for funding the production of Hello Baby (你好寶貝), My Mr. Cat (我的貓先生), Steal His Heart (偷走他的心), The Wind Catcher (捕風者) and Two Capitals (兩京十五日) was re-allocated to funding the production of Cat & Thief (鬥賊), Legend Of Bikini (乘風踏浪), Never Too Late (我的助理六十歲) and Thousand Years For You (請君)⁽²⁾; and (ii) HK\$107.1 million originally intended to be used for acquiring one premium copyright company which focuses on investment, development, production and distribution of web series was re-allocated to acquiring more premium IPs. For details, please refer to the announcement of the Company dated September 15, 2021 (the “**Announcement**”).

The following table sets out the (i) the original allocation of Net Proceeds as set out in the Prospectus; (ii) the revised allocation of the unutilised Net Proceeds as set out in the Announcement; (iii) the utilised and unutilised amount of Net Proceeds as of June 30, 2022; and (iv) the latest expected timeline for utilisation.

	Net proceeds from the global offering and utilisation				Expected timeline for utilisation ⁽¹⁾
	Original allocation of Net Proceeds <i>HK\$ in million</i>	Revised allocation of Net Proceeds <i>HK\$ in million</i>	Utilised amount of Net Proceeds as of June 30, 2022 <i>HK\$ in million</i>	Unutilised amount of Net Proceeds as of June 30, 2022 <i>HK\$ in million</i>	
Funding the drama series production of the Group					
Our Destiny In Self-Redemption (浮圖緣)	76.5	76.5	76.5	–	–
Flying To The Moon (月歌行)	100.8	100.8	100.8	–	–
Handsome Yong Master (公子傾城)	38.6	38.6	38.6	–	–
Hello Baby (你好寶貝)	57.0	–	–	–	–
My Mr. Cat (我的貓先生)	68.6	4.1	4.1	–	–
Steal His Heart (偷走他的心)	68.6	0.1	0.1	–	–
The Wind Catcher (捕風者)	87.1	1.1	1.1	–	–
Two Capitals (兩京十五日)	252.6	–	–	–	–
Cat & Thief (鬥賊)	–	110.0	110.0	–	–
Legend Of Bikini (乘風踏浪)	–	110.0	110.0	–	–
Never Too Late (我的助理六十歲)	–	145.0	145.0	–	–
Thousand Years For You (請君) ⁽²⁾	–	163.6	163.6	–	–
Sub-total	749.8	749.8	749.8	–	
Funding potential investment in, or merger and acquisition of, companies that may enhance the Group's market position and ramp up the Group's drama series development, production and distribution	107.1	107.1	–	107.1	By the end of 2023
Securing more IPs to guarantee the stable growth of the Group's drama series production and distribution by acquiring one premium copyright company which focuses on investment, development, production and distribution of web series	107.1	–	–	–	–
Acquiring more premium IPs to guarantee the stable growth of the Group's drama series production and distribution	–	107.1	58.7	48.4	By the end of 2023
Working capital and general corporate purposes	107.1	107.1	107.1	–	
Total	1,071.1	1,071.1	915.6	155.5	

Notes:

- (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) The translation name of the drama series Welcome (請君) had been changed to Thousand Years For You (請君).

As of June 30, 2022, the Group has utilised Net Proceeds of HK\$915.6 million in accordance with the intended purposes set out in the Prospectus and the Announcement. The remaining Net Proceeds were deposited in banks as of the date of this announcement. The Group will gradually utilise the remaining Net Proceeds in accordance with the intended purposes set out in the Prospectus and the Announcement.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

On December 20, 2021, the Company, Jiangsu Strawbear, Shanghai GH Entertainment & Media Co., Ltd. (上海金禾影視傳播有限公司) (the “**Target Company**”), Zheya (Shanghai) Film and Television Culture Studio (哲雅(上海)影視文化工作室) and Ms. Wang Jing (王晶), the founder and a controlling shareholder of the Target Company, entered into a non-legally binding term sheet, pursuant to which, the Company and Jiangsu Strawbear plan to acquire a total of 100.0% equity interest in the Target Company. For details, please refer to the announcement of the Company dated December 21, 2021.

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

MATERIAL LITIGATION

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

AUDIT COMMITTEE

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

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has, together with the management of the Company, reviewed the accounting principles and policies adopted by the Group and the unaudited interim condensed consolidated financial statements of the Group for the six months ended June 30, 2022, and has recommended for the Board's approval thereof. The unaudited interim condensed consolidated financial statements of the Group for the six months ended June 30, 2022 has not been reviewed by the external auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event that might affect the Group occurred 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 the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.strawbearentertainment.com). The interim report for the six months ended June 30, 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites 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 Taiwan Province, Hong Kong and the Macau Special Administrative Region of the PRC
“Company”	Strawbear Entertainment Group (稻草熊娛樂集團), an exempted company with limited liability incorporated under the laws of Cayman Islands on January 3, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Consolidated Affiliated Entities”	the entities the Company controls through the Contractual Arrangements, namely Jiangsu Strawbear and its subsidiaries, further details of which are set out in “Contractual Arrangements” in the Prospectus
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Nanjing Strawbear, Jiangsu Strawbear and its registered shareholders, details of which are described in “Contractual Arrangements” in the Prospectus

“COVID-19”	novel coronavirus pneumonia
“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 of the Board, an executive Director, the chief executive officer of the Company, one of the Group’s controlling shareholders and one of the registered shareholders of Jiangsu Strawbear
“Nanjing Strawbear”	Nanjing Strawbear Business Consulting Co., Ltd. (南京稻草熊商務諮詢有限公司), a limited liability company established in the PRC on September 17, 2018 and an indirectly wholly-owned subsidiary of the Company
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme approved and adopted by the Company on May 11, 2020, the principal terms of which are summarised in “Appendix IV – Statutory and General Information – D. Other Information – (1) Pre-IPO Share Option Scheme” in the Prospectus
“Prospectus”	the prospectus of the Company published on December 31, 2020
“re-run broadcast” or “re-run”	the rebroadcast of a drama series that has previously been broadcast on the TV channel or online video platform, including second-run broadcast and all subsequent broadcasts on any channel

“Reporting Period”	the six-month period from January 1, 2022 to June 30, 2022
“RMB” or “Renminbi”	the lawful currency of the PRC
“RSU Scheme(s)”	(i) the restricted share unit scheme approved and adopted on September 15, 2021 by the Company, as amended from time to time, and/or (ii) the 2022 restricted share unit scheme approved and adopted on April 28, 2022 by the Company, as amended from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.000025 each
“Shareholder(s)”	holder(s) of the Shares
“TV”	television
“TV series”	a series of scripted episodes that needs to obtain a distribution 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

Nanjing, PRC, August 25, 2022

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