

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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, 2023**

#### **FINANCIAL HIGHLIGHTS**

Revenue for the six months ended June 30, 2023 amounted to approximately RMB462.1 million, representing a decrease of 0.3% from approximately RMB463.6 million for the same period in 2022.

Gross profit for the six months ended June 30, 2023 amounted to approximately RMB82.8 million, representing a decrease of 42.1% from approximately RMB142.9 million for the same period in 2022.

Profit for the six months ended June 30, 2023 amounted to approximately RMB3.9 million, representing a decrease of 94.7% from approximately RMB73.3 million for the same period in 2022.

Adjusted net profit\* for the six months ended June 30, 2023 amounted to approximately RMB13.9 million, representing a decrease of 83.8% from approximately RMB85.7 million for the same period in 2022.

Net assets as of June 30, 2023 amounted to approximately RMB1,842.2 million, representing an increase of 0.9% from approximately RMB1,825.6 million as of December 31, 2022.

The Board has resolved not to declare payment of an interim dividend for the six months ended June 30, 2023.

\* *The Group defines adjusted net profit as profit for the period adjusted by adding back equity-settled share award expense 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, 2023 together with the comparative figures for the same period in 2022 as follows:

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

*For the six months ended June 30, 2023*

	<i>Notes</i>	<b>2023</b> <b>(Unaudited)</b> <b>RMB'000</b>	2022 (Unaudited) RMB'000
<b>REVENUE</b>	5	<b>462,097</b>	463,599
Cost of sales		<u><b>(379,286)</b></u>	<u>(320,673)</u>
Gross profit		<b>82,811</b>	142,926
Other income and gains	5	<b>11,989</b>	17,904
Selling and distribution expenses		<b>(48,761)</b>	(16,498)
Administrative expenses		<b>(31,239)</b>	(28,177)
Reversal of impairment of trade receivables, net		<b>3,451</b>	–
Other expenses		<b>(190)</b>	(188)
Finance costs		<b>(7,556)</b>	(7,823)
Share of profits and losses of:			
Joint ventures		<b>(814)</b>	(1,246)
Associates		<b>445</b>	(187)
<b>PROFIT BEFORE TAX</b>	6	<b>10,136</b>	106,711
Income tax expense	7	<u><b>(6,278)</b></u>	<u>(33,436)</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>3,858</b></u>	<u>73,275</u>
Attributable to:			
Owners of the parent		<b>1,333</b>	73,518
Non-controlling interests		<u><b>2,525</b></u>	<u>(243)</u>
		<u><b>3,858</b></u>	<u>73,275</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic (RMB)	9	<u><b>0.2 cents</b></u>	<u>10.9 cents</u>
Diluted (RMB)	9	<u><b>0.2 cents</b></u>	<u>10.4 cents</u>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at June 30, 2023*

		<b>30 June 2023</b>	31 December 2022
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,849</b>	4,408
Right-of-use assets		<b>4,304</b>	6,160
Goodwill		<b>108,341</b>	108,341
Other intangible assets		<b>9</b>	11
Investments in joint ventures		<b>1,147</b>	1,312
Investments in associates		<b>5,381</b>	7,197
Deferred tax assets		<b>6,086</b>	6,943
		<hr/>	<hr/>
Total non-current assets		<b>129,117</b>	134,372
<b>CURRENT ASSETS</b>			
Inventories	<i>10</i>	<b>1,214,913</b>	1,109,433
Trade and notes receivables	<i>11</i>	<b>577,414</b>	545,355
Prepayments, other receivables and other assets	<i>12</i>	<b>358,179</b>	379,259
Financial assets at fair value through profit or loss		<b>11,402</b>	11,402
Restricted cash		<b>–</b>	43,200
Pledged deposits		<b>61,935</b>	61,493
Cash and cash equivalents		<b>210,159</b>	208,049
		<hr/>	<hr/>
Total current assets		<b>2,434,002</b>	2,358,191
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>13</i>	<b>280,239</b>	215,307
Other payables and accruals	<i>14</i>	<b>121,843</b>	158,177
Interest-bearing bank and other borrowings	<i>15</i>	<b>278,078</b>	275,973
Lease liabilities		<b>1,726</b>	3,051
Tax payable		<b>2,275</b>	9,264
		<hr/>	<hr/>
Total current liabilities		<b>684,161</b>	661,772
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>1,749,841</b>	1,696,419
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,878,958</b>	1,830,791
		<hr/>	<hr/>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

*As at June 30, 2023*

	<i>Notes</i>	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	15	<b>32,000</b>	–
Lease liabilities		<b>1,826</b>	2,248
Deferred tax liabilities		<b>2,911</b>	2,937
		<hr/>	<hr/>
Total non-current liabilities		<b>36,737</b>	5,185
		<hr/>	<hr/>
Net assets		<b>1,842,221</b>	1,825,606
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>114</b>	113
Treasury shares		<b>(40,181)</b>	(42,651)
Reserves		<b>1,880,749</b>	1,869,170
		<hr/>	<hr/>
		<b>1,840,682</b>	1,826,632
		<hr/>	<hr/>
Non-controlling interests		<b>1,539</b>	(1,026)
		<hr/>	<hr/>
Total equity		<b>1,842,221</b>	1,825,606
		<hr/>	<hr/>

# 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 Consolidated Affiliated Entities were principally involved in the production, distribution and licensing of broadcasting rights of TV/Web series (“**drama series**”).

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

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 2023 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 2022.

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's policy aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Mainland China	462,097	463,574
Others	–	25
	<u>462,097</u>	<u>463,599</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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Customer 1	184,275	249,056
Customer 2	81,559	190,566
Customer 3	53,567	N/A*
Customer 4	51,820	N/A*

\* 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:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<i>Revenue from contracts with customers</i>	<b>462,097</b>	463,599

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Type of goods or services</b>		
Licensing of the broadcasting rights of drama series	<b>377,600</b>	461,647
Made-to-order drama series production	<b>84,481</b>	–
Others	<b>16</b>	1,952

Total revenue from contracts with customers	<b>462,097</b>	463,599
---	----------------	---------

#### Geographical markets

Mainland China	<b>462,097</b>	463,574
Others	<b>–</b>	25

Total revenue from contracts with customers	<b>462,097</b>	463,599
---	----------------	---------

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000

#### Timing of revenue recognition

Goods transferred at a point in time	<b>377,616</b>	463,599
Services transferred over time	<b>84,481</b>	–

Total revenue from contracts with customers	<b>462,097</b>	463,599
---	----------------	---------



An analysis of other income and gains is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Government grants ( <i>note</i> )	<b>6,315</b>	12,321
Bank interest income	<b>1,478</b>	1,514
Interest income from loans receivable	<b>4,126</b>	3,187
Interest income from amount due from a joint venture	<b>–</b>	709
Others	<b>70</b>	173
	<hr/>	<hr/>
	<b>11,989</b>	17,904
	<hr/>	<hr/>

*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>	<b>For the six months ended 30 June</b>	
		<b>2023 (Unaudited) RMB'000</b>	<b>2022 (Unaudited) RMB'000</b>
Cost of inventories sold		<b>379,286</b>	320,673
Depreciation of property, plant and equipment		<b>652</b>	506
Depreciation of right-of-use assets		<b>1,856</b>	1,645
Amortisation of other intangible assets*		<b>2</b>	2
Government grants	5	<b>(6,315)</b>	(12,321)
Bank interest income	5	<b>(1,478)</b>	(1,514)
Interest income from loans receivable	5	<b>(4,126)</b>	(3,187)
Interest income from amount due from a joint venture	5	<b>–</b>	(709)
Lease payments not included in the measurement of lease liabilities		<b>98</b>	33
Net foreign exchange differences		<b>178</b>	188
Auditor's remuneration		<b>800</b>	800
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		<b>8,651</b>	4,660
Equity-settled share award expense		<b>2,744</b>	4,084
Pension scheme contributions		<b>745</b>	354
Staff welfare expenses		<b>174</b>	300
		<b>12,314</b>	9,398
Share of profits and losses of joint ventures		<b>814</b>	1,246
Share of profits and losses of associates		<b>(445)</b>	187
Reversal of impairment of trade receivables, net		<b>(3,451)</b>	–

\* 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.

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. Hainan Yiming is recognised as Small and Low-profit Enterprises, and the profits less than RMB3,000,000 are entitled to a preferential tax rate of 5% during the period.

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

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current – Mainland China		
Charge for the period	<b>5,447</b>	32,751
Deferred tax	<b>831</b>	685
	<hr/>	<hr/>
Total tax charge for the period	<b>6,278</b>	<b>33,436</b>

## 8. DIVIDENDS

The Board did not declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023, 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:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<b>1,333</b>	73,518
	<b>For the six months ended 30 June</b>	
	<b>Number of shares</b>	
	<b>2023</b>	2022
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>675,595,483</b>	677,516,769
Effect of dilution – weighted average number of ordinary shares:		
Restricted share units	–	7,234,333
Share options	<b>2,472,708</b>	23,421,961
	<b>678,068,191</b>	708,173,063

## 10. INVENTORIES

	<b>30 June 2023</b>	31 December 2022
	<b>(Unaudited)</b>	(Audited)
	<b>RMB'000</b>	RMB'000
Raw materials	<b>155,377</b>	178,178
Work in progress	<b>501,424</b>	157,453
Finished goods	<b>558,112</b>	773,802
	<b>1,214,913</b>	1,109,433

## 11. TRADE AND NOTES RECEIVABLES

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Trade receivables	<b>475,962</b>	449,956
Notes receivable	<b>116,440</b>	113,838
	<b>592,402</b>	563,794
Impairment	<b>(14,988)</b>	(18,439)
	<b>577,414</b>	545,355

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

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

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Within 3 months	<b>204,542</b>	64,355
3 to 6 months	<b>71,802</b>	66,971
6 to 12 months	<b>39,013</b>	150,510
1 to 2 years	<b>141,086</b>	141,199
2 to 3 years	<b>4,531</b>	8,482
	<b>460,974</b>	431,517

Included in the Group's trade and notes receivables were amounts due from the Group's related parties of RMB238,826,000 (31 December 2022: RMB320,529,000), which were repayable on credit terms similar to those offered to the major customers of the Group.

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

The Group's trade receivables with an aggregate net carrying value of approximately RMB54,395,000 (31 December 2022: RMB211,384,000), were pledged to secure the bank loans granted to the Group.

As at 30 June 2023, notes receivable of RMB15,150,000 (31 December 2022: RMB21,888,000), 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 RMB101,290,000 (31 December 2022: RMB91,950,000) were measured at amortised cost.

As at 30 June 2023, 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 RMB35,900,000 (31 December 2022: RMB78,200,000). In addition, as at 30 June 2023, the Group discounted certain notes receivable accepted by certain banks in Mainland China (the “**Discounted Notes**”) with a carrying amount in aggregate of RMB114,300,000 (31 December 2022: RMB49,500,000). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”).

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes and Discounted Notes accepted by large and reputable banks with an amount of RMB14,650,000 and RMB64,800,000 (31 December 2022: RMB44,000,000 and nil) as at 30 June 2023, (the “**Derecognised Notes**”). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables settled by the Endorsed Notes.

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

At 30 June 2023, the Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade payables settled with an amount of RMB21,250,000 (31 December 2022: RMB34,200,000), and to recognise the proceeds received from the discount of the remaining Discounted Notes with an amount of RMB49,500,000 (31 December 2022: RMB49,500,000) 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 RMB1,602,000 (six months ended 30 June 2022: RMB1,975,000).

## 12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>30 June 2023 (Unaudited) RMB’000</b>	31 December 2022 (Audited) RMB’000
Prepayments	<b>144,188</b>	118,980
Prepayments under the co-investment arrangements	<b>53,097</b>	97,957
Loans receivable	<b>103,515</b>	99,389
Deductible input value-added tax	<b>26,398</b>	26,074
Deposits and other receivables	<b>23,660</b>	22,776
Prepaid income tax	<b>14,305</b>	21,067
	<b>365,163</b>	386,243
Impairment	<b>(6,984)</b>	(6,984)
	<b>358,179</b>	379,259

Included in the prepayments are prepayments to the Group’s related parties of RMB1,210,000 (31 December 2022: nil).

### 13. TRADE PAYABLES

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Trade payables	<b>280,239</b>	215,307

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

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Within 3 months	<b>150,560</b>	77,551
3 to 6 months	<b>26,904</b>	27,168
6 to 12 months	<b>45,081</b>	2,400
1 to 2 years	<b>35,470</b>	84,549
2 to 3 years	<b>19,196</b>	22,194
Over 3 years	<b>3,028</b>	1,445
	<b>280,239</b>	215,307

Included in the trade payables were trade payables of RMB115,107,000 (31 December 2022: RMB34,972,000), due to the Group's related parties which were repayable within 120 days, which represented credit terms similar to those offered by the related parties to their major customers.

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

### 14. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Contract liabilities	<b>114,830</b>	137,039
Other payables	<b>4,183</b>	14,327
Other tax payables	<b>2,463</b>	6,264
Payroll and welfare payable	<b>367</b>	547
	<b>121,843</b>	158,177

Included in contract liabilities are advances received from the Group's related parties of RMB57,971,000 (31 December 2022: RMB48,251,000).

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	30 June 2023 (Unaudited) RMB'000
	(%)		
<b>Current</b>			
Bank loan – secured ( <i>note (a)</i> )	5.20	2023	100,509
Bank loan – secured ( <i>note (a)</i> )	5.20	2024	50,000
Bank loan – secured ( <i>note (b)</i> )	3.65	2024	10,000
Bank loan – secured ( <i>note (c)</i> )	5.22	2024	8,000
Bank loan – unsecured	4.40	2023	10,011
Bank loan – unsecured	4.00	2023	20,024
Bank loan – unsecured	4.75	2024	10,013
Bank loan – unsecured	3.90	2024	10,011
Bank loan – unsecured	4.65	2024	10,010
Discounted notes receivable – secured ( <i>note (f)</i> )	5.00	2023	49,500
			<u>278,078</u>
<b>Non-current</b>			
Bank loan – secured ( <i>note (c)</i> )	5.22	2025	32,000
			<u>310,078</u>
	Effective interest rate	Maturity	31 December 2022 (Audited) RMB'000
	(%)		
<b>Current</b>			
Bank loan – secured ( <i>note (a)</i> )	5.20	2023	150,768
Bank loan – secured ( <i>note (d)</i> )	5.22	2023	12,622
Bank loan – secured ( <i>note (e)</i> )	4.60	2023	40,056
Discounted notes receivable – secured ( <i>note (f)</i> )	5.00	2023	49,500
Bank loan – unsecured	4.40	2023	10,013
Bank loan – unsecured	4.85	2023	10,014
Other borrowing – unsecured	5.00	2023	3,000
			<u>275,973</u>



	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	<b>278,078</b>	272,973
In the second year	<b>32,000</b>	–
	<hr/>	<hr/>
Other borrowing repayable:		
Within one year	–	3,000
	<hr/>	<hr/>
	<b>310,078</b>	<b>275,973</b>
	<hr/>	<hr/>

*Notes:*

- (a) The Group's bank loan is secured by the pledge of certain of the Group's trade receivables amounting to RMB54,395,000 (31 December 2022: RMB138,584,000) and short term deposits amounting to RMB31,454,000 (31 December 2022: RMB31,333,000) and are guaranteed by the Company.
- (b) The Group's bank loan is guaranteed by a subsidiary.
- (c) The Group's bank loan is secured by the pledge of the future collection rights of a drama and is guaranteed by subsidiaries.
- (d) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB36,000,000 and is guaranteed by subsidiaries.
- (e) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB36,800,000 and restricted cash amounting to RMB43,200,000.
- (f) The Group's discounted notes receivable are secured by the pledge of short term deposits amounting to RMB30,481,000 (31 December 2022: RMB30,160,000).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND PROSPECTS**

The Group is a major drama series producer and distributor in the PRC. Since its inception in 2014, the Group is principally engaged in the investment, development, production and distribution of TV series and web series.

In the first half of 2023, under the backdrop of ever-changing market environment of the film and television industry and with the continuous progress of achieving the goal of “carbon peak and carbon neutrality”, the Group strove to further explore the potential of the gathered quality resources through its platform operation model, and integrated the development concept of “enhanced quality and efficiency” and “focusing on high-quality content” into all processes of the business and operation of the Company. With its service spirit orienting the full process of production as a participant in the film and television industry, the Group was committed to providing professional business services to quality participants in each key stage during the creation of films and TV series. In addition, the Group actively promoted the application of industrial production and innovation in the film and television industry, improved the efficiency of project operation, and reduced the uncertainties in production processes. The Group has systematically integrated top industry resources, such as talented screenwriters, producers, directors and actors and actresses, shooting and production studios, as well as external quality control specialists, into a comprehensive ecosystem, achieving synergy effect and providing responsible film and television products to the public.

Moreover, the Group adhered to its development strategy of persevering in producing quality content as a long-termist. It always pursued the continuous and stable provision of high-quality content and put effort on establishing a full-cycle ecosystem under which content was developed and produced based on its self-sourced IP. In the first half of 2023, the Group has broadcast a number of high-quality drama series which achieved positive broadcasting results and received favorable market comments. As of June 30, 2023, the Group also had a pipeline of drama series with wide range of themes to be broadcast or under preparation.

In addition, in the first half of 2023, with the emergence of technologies such as algorithms application and AIGC, the use of artificial intelligence (hereinafter referred to as “AI”) sparked a revolutionary in the film and television industry. The Group fully understood the role of technological development and technology advancement in industry transformation and upgrading, and has begun to explore and gradually try the application direction of AI. The Group intended to continuously study when and where the new technology can be used for the production of film and drama series, so as to improve production efficiency and reduce production costs.

The Group will keep aiming for achieving its long-term goal of producing high-quality content, adhere to cultural inheritance and innovation, leverage the trend of technological development, and strive to create and produce more excellent works that appeal to the audience.

## **Continuing to Deepen the Platform Operation Model**

With the gradual enhancement of single product output and corporate brand effect, the Group has established an efficient communication channel with various remarkable industry players through its platform operation model. On the one hand, the Group deeply explored the long-term value of existing high-quality resources. On the other hand, the Group welcomed and expected more like-minded talents to join. Through continuously improving the “comprehensive middle platform” with professional production management and quality control capabilities, the Group could effectively integrate its key resources, such as screenwriters, producers, directors and actors and actresses, production studios, quality control specialists and distribution channels, into its well-established ecosystem, providing comprehensive business services to talented participants in each production stage so as to more closely integrate and continuously optimize the content creation process, and realize more efficient content production for the purpose of achieving synergy effects and industrial production.

In the first half of 2023, the platform operation model of the Group was continuously improved in practice, and the internal organization structure and functional division of the middle platform became more clear and complete. The service capacity of the “comprehensive middle platform” has been further strengthened. Benefiting from these, in the first half of 2023, the Group continued to maintain stable and cooperative relationships with various industry partners in the industry chain and form a stable closed-loop ecosystem.

## **Persevering in Producing Quality Content as a Long-termist**

The Group always perseveres in producing quality content as a long-termist and regards continuous and stable delivery of quality content as the goal of the Group. For the six months ended June 30, 2023, multiple diversified drama series with different genre were broadcast, including *The Forbidden Flower* (夏花), a metropolitan romance drama series starring Jerry Yan (言承旭) and Xu Ruohan (徐若晗); *Never Give Up* (今日宜加油), an office comedy starring Zheng Kai (鄭愷), Chen Yuqi (陳鈺琪) and Wang Hedi (王鶴棣); *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); *The Girl Who Sees Smells* (你好，我的對面男友), a metropolitan drama series starring Jia Yi (嘉羿) and Jin Zixuan (金子璇); *The White Castle* (白色城堡), a metropolitan medical drama series starring Peng Guanying (彭冠英) and Tu Songyan (涂松岩); and *Crazy Troupe* (瘋狂劇團), a metropolitan comedy starring Guo Xiaoting (郭曉婷) and Chen Xinzhe (陳信哲). As of the date of this announcement, *You are Desire* (白日夢我), a youthful romantic drama series starring Zhou Yiran (周翊然) and Zhuang Dafei (莊達菲), was broadcast on August 12, 2023.

Most of the aforesaid drama series have received positive broadcast effect. Among them, *Never Give Up* (今日宜加油) was broadcast on February 21, 2023, as the Group's innovative drama series in the sitcoms, it tells the ups and downs of ordinary people in the office in a relaxed, humorous and healing way, filling the vacancy of domestic office sitcoms at that time, and has achieved remarkable results in broadcasting ratings in various markets. *Hello Beautiful Life* (心想事成), which was broadcast on March 9, 2023, is a key project supported by the Beijing Municipal Radio and Television Bureau, and portrays sparks and warmth of the reality of the family life of ordinary urban people, which stimulates the audience to think about their life and pursuit of dreams. This drama series was selected into the 2023 "Big Drama Watching CMG (大劇看總台)" TV series list released by China Media Group and ranked top 8 in the "CCTV • Top 10 TV Dramas with Prime Time Closing Series Ratings (央視 • 黃金時段收官電視劇收視率 Top 10)" released by China Audio Video Big Data from January to May 2023. *The Girl Who Sees Smells* (你好，我的對面男友), which was broadcast on March 20, 2023, portrays a humorous and romantic journey of an ordinary girl and a "rejuvenated boss", achieving a breakthrough of the Group in D2C content segment. *The White Castle* (白色城堡) is a drama series about medical industry with the main story background in an emergency room. This drama series, invested and co-produced by the Group, was broadcast on May 31, 2023 and ranked top 1 in the TV network rating list 19 times during its broadcast period. Through its rich plot content and the focus on what young people are concerned about, this drama series allows the audience to not only understand how the medical industry operates in reality, but also feel a sense of frankness, easy-going, optimism and ambition from the leading roles in the drama series.

In addition, in the 28th Shanghai TV Festival held in the first half of 2023, *The Examination for Everyone* (大考) produced by the Group was nominated for the "Best Chinese Drama" of the Magnolia Awards. This drama series tells the story from a new perspective of the college entrance examination under the pandemic, showing the help and care given by all sectors of society to the college entrance examination candidates who "were born in the years of SARS and took the college entrance examination in the years of COVID-19", which fully demonstrates the vigorous and upward mentality in a new era. The drama series was repeatedly promoted as a key drama series at the project promotion meetings of the NRTA on "A Praise to the New Era, an Advance to a New Journey", and was also included in the key drama series projects under the theme of "Welcoming the Commencement of the Party's 20th National Congress". When the drama series was broadcast, it attracted wide attention and aroused strong resonance from the audience.

### **Maintaining Rich and Diversified IP Reserves**

The Group always attaches great importance to the stockpiling and development of its IPs and keeps accumulating quality IP while optimizing its IP structure. On the one hand, by leveraging on its resource advantage to search for quality resources, the Group actively and 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. On the other hand, the Group prioritizes 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 serialized and branded operations of high-quality IP.

Currently, the Group has rich and diversified IP content reserves covering a wide range of drama genre such as teen drama, metropolitan mystery, period/metropolitan romance, period legend, spy war, courtroom story, office, which the Group believes can provide sufficient content support for the Group's subsequent production of high-quality dramas.

In addition, while maintaining a relatively stable number of IP reserves, the Group also continues to keep track on the improvement of the quality of IP development content and the enhancement of conversion efficiency.

### **Actively Exploring on and Attempting for Industrial Innovation**

In order to achieve the goal of sustainable development, the Group proactively embraces new technologies, closely follows the trend of relevant development and actively explores the future application of AI technology in the film and television industry. For example, AIGC products and technology are appropriately used in the production and research and development of drama series, including assisting on screenplay creation, producing high-quality virtual scenes, special effects, and producing soundtracks, subtitles, and promotional materials. The Group expects to improve quality and efficiency by promoting the organic integration of technological advancement and drama series production, conducting studies on its assistance to content creation and the development of emerging business formats.

While actively exploring the application of AI technology, the Group has experimented with the use of virtual filming technology for filming. For example, for the metropolitan drama *Hello Beautiful Life* (心想事成), which was broadcast in the first half of 2023, some of the filming scenes were virtually produced by LED screens. This filming method involves all aspects of film and television production such as process re-designing, cost reduction and efficiency, and visual experience upgrading, which not only provides more realistic scenes and atmosphere for actors and actresses to act, but also brings a more immersive viewing experience to the audience. In the future, the Group will actively devise more efficient production methods and cost control systems in conjunction with this type of filming method, such as parallel filming of multiple projects of the same type of drama series under the cost management system for the production of the dramas on revenue-sharing basis, identifying the junction and time control points of various stages in film and television production and realizing simultaneous production of multiple projects by means of sharing of project coordination and AI-smart switching of filming scenes in order to further shorten the production cycle and reduce the cost of the projects.

## **Facilitating Future Diversification of the Revenue Streams**

Currently, the Group's revenue is mainly generated from the licensing fees obtained from licensing of broadcasting rights of drama series to TV channels, online video platforms and third party distributors, as well as the production fees received from production of made-to-order drama series per online video platforms' orders. The Group believes that the monetization of quality IP will not be limited to the monitors. In the first half of 2023, the Group commenced the research and study on domestic offline live interactive projects produced based on quality IP. While the Group was fully aware that the success of a single project may not necessarily be replicable, the Group still holds an optimistic view and expects to expand the integrated development of film, television and culture and tourism consumption by leveraging on its quality IP, and to create online and offline interactive projects, so as to release the value gained from the competitive edges of its quality IP and to promote the diversification of the Group's revenue streams in the future.

In addition, the Group also plans to effectively leverage on local policies and measures of promoting the development of the film and television and cultural industries, and will attempt to enter into cooperation with local governments on cultural projects and film and television projects, and obtain industry support funds based on its quality projects. As of June 30, 2023, the Group has established regional business headquarters for strategic development in various regions such as Sichuan, Hainan and Shanghai, so as to obtain more geographical resources and gain an in-depth understanding of the life styles of people in different regions. The Group actively responds to the call of national policies and is committed to producing film and television programs that reflect the positive outlook of people's lives.

In the future, the Group will continue to seek ways to monetize its quality IP that are relevant to the Group's business and/or may create synergy effect. This will help diversify the Group's revenue streams and promote the long-term and stable development of the Group.

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

As of June 30, 2023, the Group has produced and/or distributed but yet to broadcast nine TV series and two web series. The table below sets forth certain details of such drama series:

Name of the Drama Series	Genre	Director(s) and Major Cast Members	Role	Production Type	Status as of June 30, 2023	Expected Broadcasting Time
<b>TV Series</b>						
<i>Never Too Late</i> (我的助理六十歲)	Metropolitan	Ding Pei (丁培), Wang Ziwen (王子文), Deng Jie (鄧婕), Bai Jingting (白敬亭)	Production and distribution	Original	To be broadcast	2023
<i>Cat &amp; Thief</i> (鬥賊)	Crime	Gong Zhaohui (龔朝輝), Huang Jingyu (黃景瑜), Xiu Rui (修睿)	Production and distribution	Adaptation	Post-production	2023
<i>Legend of Bikini</i> (乘風踏浪)	Metropolitan	Zhang Silin (張思麟), Qiao Shan (喬杉), Yang Zishan (楊子珊)	Production and distribution	Original	To be broadcast	2023
<i>The Lost</i> (孤戰)	Modern Spy War	Xie Ze (謝澤), Huang Jingyu (黃景瑜), Xin Zhilei (辛芷蕾)	Production and distribution	Original	To be broadcast	2023
<i>You are Desire</i> (白日夢我)	Metropolitan	Deng Ke (鄧珂), Zhou Yiran (周翊然), Zhuang Dafei (莊達菲)	Production and distribution	Adaptation	To be broadcast	2023
<i>Breaking the Shadows</i> (烏雲之上)	Crime	Hua Jing (花菁), Sun Li (孫儷)	Production and distribution	Original	Under filming	2024
<i>Early Spring</i> (哈爾濱1944) <sup>(1)</sup>	Classic Spy War	Zhang Li (張黎), Qin Hao (秦昊), Yang Mi (楊冪)	Production and distribution	Original	Under filming	2024
<i>The Trident 2</i> (三叉戟2)	Crime	Liu Haibo (劉海波), Chen Jianbin (陳建斌), Dong Yong (董勇), Hao Ping (郝平)	Production and distribution	Original	Under filming	2024
<i>Light My Way</i> (偷走他的心) <sup>(2)</sup>	Teen drama with hot-blooded rescue	Wu Qiang (吳強), Ma Sichao (馬思超), Wan Peng (萬鵬)	Production and distribution	Adaptation	Post-production	2024
<b>Web Series</b>						
<i>No One but You</i> (也許這就是愛情)	Metropolitan	Wu Qiang (吳強), Chen Yuqi (陳鈺琪), Fang Yilun (方逸倫)	Production and distribution	Adaptation	Post-production	2024
<i>Reborn for Love</i> (四海重明) <sup>(3)</sup>	Period Other	Wen Deguang (溫德光), Jing Tian (景甜), Zhang Linghe (張凌赫)	Production and distribution	Adaptation	Under filming	2024

(1) The name of the drama series *Early Spring* (沒有我的城) had been changed to *Early Spring* (哈爾濱1944). The name of the drama series is subject to final approval of the NRTA.

(2) The translation name of the drama series *Steal His Heart* (偷走他的心) had been changed to *Light My Way* (偷走他的心).

(3) The name of the drama series *Four Seas Song* (四海顏歌) had been changed to *Reborn for Love* (四海重明). The name of the drama series is subject to final approval of the NRTA.

As of June 30, 2023, the Group had three TV series and two web series that had applied for public record/filed with the local counterparts of the NRTA. The table below sets forth certain details of such pipeline drama series projects:

Proposed Name of the Drama series	Genre	Copyright Ownership	Status as of June 30, 2023	Time of Public Record
<b>TV Series</b>				
<i>Ordinary Life, Ordinary Love</i> (勸你趁早喜歡我) <sup>(1)</sup>	Metropolitan	The Group	Pre-production	2022
<i>On The Silent And Lonely Stream</i> (在寂與寞的川流上)	Metropolitan	The Group	Pre-production	2021
<i>In The Name Of Handsome</i> (以英俊之名)	Metropolitan	The Group	Pre-production	2021
<b>Web Series</b>				
<i>Cloud Lovers</i> (雲端戀人)	Period Legend	The Group	Pre-production	2022
<i>Diary on Wage Hike</i> (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 2023, the Group broadcast multiple diversified drama series, including, among others, *Never Give Up* (今日宜加油), *Hello Beautiful Life* (心想事成) and *The Girl Who Sees Smells* (你好·我的對面男友). The revenue generated from the Group's licensing of the broadcasting rights of drama series decreased from approximately RMB461.6 million for the six months ended June 30, 2022 to approximately RMB377.6 million for the six months ended June 30, 2023. This was mainly due to the fact that the Group's revenue from this business line comes from multiple-round releases (including first-run and re-run broadcast) broadcast by the Group, while the industry has a trend of reducing costs and increasing efficiency, which caused various broadcasting platforms to shrink their budgets for purchasing drama series, thus resulting in a decrease in revenue per drama series.

- (1) The name of the drama series *Ordinary Life, Ordinary Love* (人間煙火和你) had been changed to *Ordinary Life, Ordinary Love* (勸你趁早喜歡我). The name of the drama series is subject to final approval of the NRTA.



Most of the Group’s drama series broadcast previously have achieved good broadcasting results. For example, *Hello Beautiful Life* (心想事成), as a key project supported by the Beijing Municipal Radio and Television Bureau, was selected into the 2023 “Big Drama Watching CMG (大劇看總台)” TV series list released by China Media Group.

As of June 30, 2023, the Group had a number of drama series to be broadcast with diversified genres, including, among others, *Cat & Thief* (鬥賊), a crime comedy starring Huang Jingyu (黃景瑜) and Xiu Rui (修睿); *The Lost* (孤戰), a modern spy war drama series starring Huang Jingyu (黃景瑜) and Xin Zhilei (辛芷蕾); *Legend of Bikini* (乘風踏浪), a contemporary metropolitan drama series starring Qiao Shan (喬杉) and Yang Zishan (楊子姍); *Never Too Late* (我的助理六十歲), starring Wang Ziwen (王子文), Deng Jie (鄧婕) and Bai Jingting (白敬亭); and *You are Desire* (白日夢我), a youthful romantic drama series starring Zhou Yiran (周翊然) and Zhuang Dafei (莊達菲). In addition, the filming of *No One but You* (也許這就是愛情), a metropolitan drama series starring Chen Yuqi (陳鈺琪) and Fang Yilun (方逸倫) had also completed and the drama series was in its post-production stage.

As of the date of this announcement, *You are Desire* (白日夢我), a youthful romantic drama series starring Zhou Yiran (周翊然) and Zhuang Dafei (莊達菲), was broadcast on August 12, 2023. *You are Desire* (白日夢我) is a milestone for the Group after it joined the Mango TV’s 2023 “New Mango S Plan (「新芒S計劃」)” as a strategic partner.

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

In the first half of 2023, the Group provided made-to-order production services of two drama series, including *The Forbidden Flower* (夏花), a metropolitan romance drama series about the love story between a young girl and a middle-aged man starring Jerry Yan (言承旭) and Xu Ruohan (徐若晗). The drama series was broadcast on February 13, 2023 and achieved good broadcasting results.

The Group’s made-to-order drama series *The Examination for Everyone* (大考), starring Chen Baoguo (陳寶國), Wang Qianyuan (王千源) and Hu Xianxu (胡先煦) was broadcast in 2022, which was listed on the “2022 China TV Drama Anthology (2022 中國電視劇選集)” released by NRTA and has been shortlisted for the “Best Chinese Drama” of Magnolia Awards at the 28th Shanghai TV Festival in the first half of 2023.

(iii) *Others*

The Group’s other business primarily includes acting as a distribution agent of TV series.

## OUTLOOK

The Group will as always act as a long-termist and strive to win the popularity among the viewers with quality content. Looking forward, quality drama series and their IPs will remain the core and the driver of the growth of the Group's business. The Group will keep putting more efforts on the creation of premium original drama series, continuously improve its know-how and capability for drama series production, and enhance the influence of its single product and its brand. It will also maintain stable IP reserve, keep enhancing its capacity on IP operation and management, seek for more types of IP operations and endeavor to the creation of collections of drama series. The Group will closely keep abreast of the development of AI technology and study whether there is more room for development in film and television industry with a view to improving production efficiency, shortening production cycle and reducing production costs through the application of new technologies. It will also attempt to build a more diversified revenue streams and realize revenue contribution from IP derivatives in addition to revenues generated from licensing of drama series broadcasting rights and drama series production.

In the long run, the Board remains prudent and optimistic on the prospects of the Group's core business. As a witness and participant of the historical changes in China's films and drama series, the Group has witnessed the transformation and changes of the industry. The "14th Five-Year Plan" period remains an important strategic opportunity for the development of China's TV drama series, which will bring both opportunities and challenges to the industry. The Group will endeavour to capture any opportunities arising therefrom and continue to leverage on its competitive edges to meet the challenges ahead, and work hand in hand with competent partners in the industry to jointly promote sustainable development of the industry.

## INTERIM PERIOD REVIEW

### Condensed Consolidated Statement of Profit or Loss

	<b>Six months ended June 30,</b>	
	2022	2023
	<i>(RMB in thousands)</i>	
<b>REVENUE</b>	463,599	<b>462,097</b>
Cost of sales	(320,673)	<b>(379,286)</b>
Gross profit	142,926	<b>82,811</b>
Other income and gains	17,904	<b>11,989</b>
Selling and distribution expenses	(16,498)	<b>(48,761)</b>
Administrative expenses	(28,177)	<b>(31,239)</b>
Reversal of impairment of trade receivables, net	–	<b>3,451</b>
Other expenses	(188)	<b>(190)</b>
Finance costs	(7,823)	<b>(7,556)</b>
Share of profits and losses of joint ventures	(1,246)	<b>(814)</b>
Share of profits and losses of associates	(187)	<b>445</b>
<b>PROFIT BEFORE TAX</b>	106,711	<b>10,136</b>
Income tax expense	(33,436)	<b>(6,278)</b>
<b>PROFIT FOR THE PERIOD</b>	<b>73,275</b>	<b>3,858</b>
Attributable to:		
Owners of the parent	73,518	<b>1,333</b>
Non-controlling interests	(243)	<b>2,525</b>
	<b>73,275</b>	<b>3,858</b>
<b>NON-HKFRS MEASURE<sup>(1)</sup></b>		
Adjusted net profit <sup>(2)</sup>	85,701	<b>13,899</b>

#### 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 should not be considered 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 equity-settled share award expense incurred during the respective period. The Group eliminates the potential impact of this item that the management does not consider to be indicative of the Group's operating performance, as it is non-operating in nature. Equity-settled share award expense is also a non-cash item and unrelated to the Group's principal business, and therefore is not indicative of its profit from operations post-completion of the Listing.

## Revenue

The Group's revenue remained relatively stable at approximately RMB462.1 million for the six months ended June 30, 2023 as compared with approximately RMB463.6 million for the same period in 2022, 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, which was partially offset by the decrease in revenue generated from licensing of the broadcasting rights of drama series. The following table sets forth the Group's revenue by business line in the first half of 2022 and 2023.

	Six months ended June 30,			
	2022		2023	
	<i>(RMB in thousands, except percentages of revenue)</i>			
Licensing of the broadcasting rights of drama series	461,647	99.6%	<b>377,600</b>	<b>81.7%</b>
Made-to-order drama series production	–	–	<b>84,481</b>	<b>18.3%</b>
Others	1,952	0.4%	<b>16</b>	–
Total	<u>463,599</u>	<u>100.0%</u>	<u><b>462,097</b></u>	<u><b>100.0%</b></u>

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

The Group's revenue generated from licensing of broadcasting rights of drama series decreased from approximately RMB461.6 million for the six months ended June 30, 2022 to approximately RMB377.6 million for the six months ended June 30, 2023, primarily due to the fact that the Group's revenue from this business line comes from multiple-round releases (including first-run and re-run broadcast) broadcast by the Group, while the industry has a trend of reducing costs and increasing efficiency, which caused various broadcasting platforms to shrink their budgets for purchasing drama series, thus resulting in a decrease in revenue per drama series.

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

The Group's revenue generated from production of made-to-order drama series was approximately RMB84.5 million for the six months ended June 30, 2023 as compared to nil for the six months ended June 30, 2022. The Group provided made-to-order production services of two drama series in the first half of 2023, including *The Forbidden Flower* (夏花).

### *Others*

Others primarily comprise revenue from the distribution fee for acting as a distribution agent of TV series in the first half of 2023.

## Gross Profit and Gross Profit Margin

The Group's gross profit decreased from approximately RMB142.9 million for the six months ended June 30, 2022 to approximately RMB82.8 million for the six months ended June 30, 2023. The Group's gross profit margin decreased to 17.9% for the six months ended June 30, 2023 from 30.8% for the six months ended June 30, 2022, primarily due to the decrease in gross profit margin of licensing of the broadcasting rights of drama series for the fact that the Group's revenue from this business line comes from multiple-round releases (including first-run and re-run broadcast) broadcast by the Group, while the industry has a trend of reducing costs and increasing efficiency, which caused various broadcasting platforms to shrink their budgets for purchasing drama series, thus resulting in a decrease in revenue per drama series.

The following table sets forth the Group's gross profit and gross profit margin by business line in the first half of 2022 and 2023.

	Six months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
	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	142,919	31.0%	69,103	18.3%
Made-to-order drama series production	–	–	13,692	16.2%
Others	7	0.4%	16	100.0%
Total	<u>142,926</u>	<u>30.8%</u>	<u>82,811</u>	<u>17.9%</u>

## Other Income and Gains

Other income and gains decreased by 33.0% to approximately RMB12.0 million for the six months ended June 30, 2023 from approximately RMB17.9 million for the six months ended June 30, 2022, primarily due to the decrease in government grants of approximately RMB6.0 million.

## Selling and Distribution Expenses

The Group's selling and distribution expenses substantially increased to approximately RMB48.8 million for the six months ended June 30, 2023 from approximately RMB16.5 million for the six months ended June 30, 2022, primarily due to the combined effect of: (i) the substantial increase in the number of drama series under multiple-round releases (including first-run and re-run broadcast) broadcast by the Group in the first half of 2023, and (ii) the intensified marketing competition in drama series market on the wave of market recovery.

## Administrative Expenses

The Group's administrative expenses increased by 10.9% to approximately RMB31.2 million for the six months ended June 30, 2023 from approximately RMB28.2 million for the six months ended June 30, 2022, primarily due to the increase in employee benefit expense of approximately RMB4.2 million, and partially offset by the decrease in equity-settled share award expense of approximately RMB2.5 million.

## Finance Costs

The Group's finance costs remained relatively stable at approximately RMB7.6 million for the six months ended June 30, 2023, as compared with approximately RMB7.8 million for the six months ended June 30, 2022, primarily due to the decrease in interest on other borrowings of approximately RMB1.0 million, which was offset by the increase in interest on bank loan of approximately RMB1.1 million.

## Income Tax Expense

The Group's income tax expense decreased by 81.2% to approximately RMB6.3 million for the six months ended June 30, 2023 from approximately RMB33.4 million for the six months ended June 30, 2022, primarily due to the decrease in taxable profit made in the first half of 2023.

## Non-HKFRS Measure

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

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

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

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2023</b>
	<i>(RMB in thousands)</i>	
Reconciliation of net profit to adjusted net profit		
Net profit for the period	<u>73,275</u>	<u>3,858</u>
Add:		
Equity-settled share award expense	<u>12,426</u>	<u>10,041</u>
Adjusted net profit	<u>85,701</u>	<u>13,899</u>

## OTHER FINANCIAL INFORMATION

### Consolidated Statement of Financial Position (Selected Items)

	As of December 31, 2022 <i>(RMB in thousands)</i>	As of <b>June 30, 2023</b>
Total non-current assets	134,372	<b>129,117</b>
Total current assets	2,358,191	<b>2,434,002</b>
Total current liabilities	661,772	<b>684,161</b>
Net current assets	1,696,419	<b>1,749,841</b>
Total non-current liabilities	5,185	<b>36,737</b>
Net assets	<u>1,825,606</u>	<u><b>1,842,221</b></u>

### Inventories

	As of December 31, 2022 <i>(RMB in thousands)</i>	As of <b>June 30, 2023</b>
Raw materials	178,178	<b>155,377</b>
Work in progress	157,453	<b>501,424</b>
Finished goods	<u>773,802</u>	<u><b>558,112</b></u>
Total	<u>1,109,433</u>	<u><b>1,214,913</b></u>

The Group's inventories increased by 9.5% to approximately RMB1,214.9 million as of June 30, 2023 from approximately RMB1,109.4 million as of December 31, 2022, primarily due to the increase in work in progress of approximately RMB344.0 million since the drama series under preparation as of June 30, 2023 increased from that as of December 31, 2022. The increase was partially offset by the decrease in finished goods of approximately RMB215.7 million since the Group broadcast several drama series in the first half of 2023, such as *Never Give Up* (今日宜加油), *The Forbidden Flower* (夏花), *Hello Beautiful Life* (心想事成) and *The Girl Who Sees Smells* (你好, 我的對面男友).

### Goodwill

The Group's goodwill was approximately RMB108.3 million as of June 30, 2023 and December 31, 2022.

## CAPITAL STRUCTURE, LIQUIDITY AND CAPITAL RESOURCES

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

As at June 30, 2023, the Company had 700,394,200 ordinary shares of US\$0.000025 each.

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

The Company maintained a healthy financial position in the first half of 2023. The Group's total assets increased from approximately RMB2,492.6 million as of December 31, 2022 to approximately RMB2,563.1 million as of June 30, 2023, and the Group's total liabilities increased from approximately RMB667.0 million as of December 31, 2022 to approximately RMB720.9 million as of June 30, 2023. The Group's liabilities-to-assets ratio increased from 26.8% as of December 31, 2022 to 28.1% as of June 30, 2023.

Historically, the Group financed its capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, net proceeds received from the global offering and capital contributions from Shareholders. As of June 30, 2023, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounted to approximately RMB1,749.8 million and approximately RMB210.2 million, respectively, as compared to approximately RMB1,696.4 million and approximately RMB208.0 million, respectively, as of December 31, 2022.

As of June 30, 2023, all of the cash and cash equivalents of the Group were denominated in RMB and HK\$.

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

As of June 30, 2023, the Group's total interest-bearing bank borrowings were approximately RMB310.1 million, all of which were at fixed interest rate and denominated in RMB.

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



## **Contingent Liabilities**

As of June 30, 2023, 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 approximately RMB0.1 million in the first half of 2023 from approximately RMB2.1 million in the first half of 2022. The Group plans to fund its planned capital expenditures using cash generated from operations as well as the net proceeds from the global offering.

## **Financial Ratio**

### *Current Ratio*

The Group's current ratio as of June 30, 2023 remained relatively stable as compared to that as of December 31, 2022, both of which are approximately 3.56.

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

The Group's debt to equity ratio was 3.9% as of June 30, 2023 and 4.0% as of December 31, 2022.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2023. As of June 30, 2023, 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, 2023.

## **PLEDGE OF ASSETS**

As of June 30, 2023, the Group's trade receivables, which had an aggregate net carrying value of approximately RMB54,395,000 (December 31, 2022: RMB211,384,000), the pledged deposit amounting to approximately RMB61,935,000 (December 31, 2022: RMB61,493,000), and the restricted cash amounting to nil (December 31, 2022: RMB43,200,000) were pledged to secure the interest-bearing bank and other borrowing granted to the Group.

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

## **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 gross carrying amounts of these financial assets.

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

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

### **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 any interim dividend for the six months ended June 30, 2023.

## EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2023, the Group had 65 employees, including 22 based in Jiangsu Province, 30 based in Beijing, 3 based in Xinjiang Uyghur Autonomous Region, 2 based in Zhejiang Province and 8 based in Hainan Province. The following table shows a breakdown of the employees by function as of June 30, 2023:

<b>Functions</b>	<b>Number of Employees</b>	<b>% of Total Employees</b>
Management	3	4.6%
Development Strategic Management	6	9.2%
Operation and Project Coordination	8	12.3%
Production	2	3.1%
IP Development	2	3.1%
Business Operation	3	4.6%
Production Management	6	9.2%
Financing and Investment	1	1.5%
Distribution	3	4.6%
Casting and Talents Management	1	1.5%
Marketing and Promotion	2	3.1%
Government Affairs	1	1.5%
Finance and Legal	15	23.1%
Corporate Compliance	2	3.1%
Human Resources and Administrative	9	13.8%
Overseas Development	1	1.5%
<b>Total</b>	<b>65</b>	<b>100.0%</b>

For the six months ended June 30, 2023, total staff remuneration expenses (including Directors' remuneration) amounted to approximately RMB21.9 million, as compared to approximately RMB19.4 million for the same period in 2022. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions made by the Group, performance-based compensation, discretionary bonus, RSUs granted to selected employees and supplemental medical insurances. The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

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

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

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

## **USE OF PROCEEDS FROM 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)<sup>(1)</sup>, *Steal His Heart* (偷走他的心)<sup>(2)</sup>, *The Wind Catcher* (捕風者) and *Two Capitals* (兩京十五日) (the “**Original Drama Series**”) was re-allocated to funding the production of *Cat & Thief* (鬥賊), *Legend Of Bikini* (乘風踏浪), *Never Too Late* (我的助理六十歲) and *Thousand Years For You* (請君) (the “**New Drama Series**”); and (ii) HK\$107.1 million originally intended to be used for acquiring one premium copyright company which focuses on investment, development, production and distribution of web series was re-allocated to acquire more premium IPs. Considering that (i) the Original Drama Series whose production was originally intended to be funded with Net Proceeds were in the early development or preparation stage, and necessary conditions required for production have not been met; and (ii) the Group has obtained a number of premium and mature projects with necessary conditions required for production having been met in the first half of 2021, the Net Proceeds originally intended to be used for the production of the Original Drama Series were re-allocated to the production of the New Drama Series then under production, so as to enhance the efficiency and effectiveness of the use of the Net Proceeds. In addition, as (i) no suitable acquisition target of premium copyright company has been found due to the combined effect of changes in the market structure and significant differences in the understanding of the value of the potential acquisition target, (ii) instead of acquisition of one highly valued copyright company, the Board believes that acquisition of premium IPs directly from a variety of sources to maintain an adequate level of IP reserves would be much more efficient and could facilitate efficiency in the use of the Group’s funds due to the rapid and unforeseen changes in the market and industry environment since the Listing, and (iii) the current sources of premium IPs are more diversified and that the continuous acquisition of more IPs is the basis for the stable growth of the Group, the Group re-allocated part of the Net Proceeds originally planned to be used for acquiring one premium copyright company which focuses on investment, development, production and distribution of web series to acquiring more premium IPs suitable for the development and production by the Group to guarantee the stable growth of drama series production and distribution, which will also satisfy the demand for premium IPs of the Group in a more flexible way. For details, please refer to the announcement of the Company dated September 15, 2021 (the “**Announcement**”).

- (1) The name of the drama series *My Mr. Cat* (我的貓先生) had been changed to *No One but You* (也許這就是愛情). The name of the drama series is subject to final approval of the NRTA.
- (2) The translation name of the drama series *Steal His Heart* (偷走他的心) had been changed to *Light My Way* (偷走他的心).

The following table sets out (i) the original allocation of Net Proceeds as set out in the Prospectus; (ii) the revised allocation of the unutilised Net Proceeds as set out in the Announcement; (iii) the utilised amount of Net Proceeds during the six months ended June 30, 2023; (iv) the utilised and unutilised amount of Net Proceeds as of June 30, 2023; and (v) the latest expected timeline for utilisation.

	Net proceeds from the global offering and utilisation					Expected timeline for utilisation <sup>(1)</sup>
	Original allocation of Net Proceeds HK\$ in million	Revised allocation of Net Proceeds HK\$ in million	Utilised amount of Net Proceeds during the six months ended June 30, 2023 HK\$ in million	Utilised amount of Net Proceeds as of June 30, 2023 HK\$ in million	Unutilised amount of Net Proceeds as of June 30, 2023 HK\$ in million	
Funding the drama series production of the Group						
<i>Unchained Love</i> (浮圖緣)	76.5	76.5	–	76.5	–	–
<i>Song of the Moon</i> (月歌行)	100.8	100.8	–	100.8	–	–
<i>Your Sensibility My Destiny</i> (公子傾城)	38.6	38.6	–	38.6	–	–
<i>Hello Baby</i> (你好寶貝)	57.0	–	–	–	–	–
<i>No One but You</i> (也許這就是愛情) <sup>(2)</sup>	68.6	4.1	–	4.1	–	–
<i>Light My Way</i> (偷走他的心) <sup>(3)</sup>	68.6	0.1	–	0.1	–	–
<i>The Wind Catcher</i> (捕風者)	87.1	1.1	–	1.1	–	–
<i>Two Capitals</i> (兩京十五日)	252.6	–	–	–	–	–
<i>Cat &amp; Thief</i> (鬥賊)	–	110.0	–	110.0	–	–
<i>Legend Of Bikini</i> (乘風踏浪)	–	110.0	–	110.0	–	–
<i>Never Too Late</i> (我的助理六十歲)	–	145.0	–	145.0	–	–
<i>Thousand Years For You</i> (請君)	–	163.6	–	163.6	–	–
<b>Sub-total</b>	<b>749.8</b>	<b>749.8</b>	<b>–</b>	<b>749.8</b>	<b>–</b>	
Funding potential investment in, or merger and acquisition of, companies that may enhance the Group's market position and ramp up the Group's drama series development, production and distribution	107.1	107.1	–	–	107.1	By the end of 2025 <sup>(4)</sup>
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	33.2	98.0	9.1	By the end of 2023
Working capital and general corporate purposes	107.1	107.1	–	107.1	–	–
<b>Total</b>	<b>1,071.1</b>	<b>1,071.1</b>	<b>33.2</b>	<b>954.9</b>	<b>116.2</b>	

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 name of the drama series *My Mr. Cat* (我的貓先生) had been changed to *No One but You* (也許這就是愛情). The name of the drama series is subject to final approval of the NRTA.
- (3) The translation name of the drama series *Steal His Heart* (偷走他的心) had been changed to *Light My Way* (偷走他的心).
- (4) Due to the prolonged influence of pandemic to the industry over the past few years and the significant differences in the understanding of the value of potential investment target, the Group required additional time to shortlist and select suitable investment target, thus leading to a delay in the expected timeline for utilisation of Net Proceeds planned for such purpose.

As of June 30, 2023, the Group has utilised Net Proceeds of HK\$954.9 million in accordance with the intended purposes set out in the Prospectus and the Announcement. The remaining Net Proceeds were deposited in banks as of the date of this announcement. The Group will gradually utilise the remaining Net Proceeds in accordance with the intended purposes set out in the Prospectus and the Announcement.

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

Save as disclosed in the section headed "Use of Proceeds from 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 their office or employment, are likely to possess inside information in relation to the Group or the Company's securities.

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

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

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

## **MATERIAL LITIGATION**

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

## **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 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, 2023, 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, 2023 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 “HKEXnews” website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.strawbearentertainment.com). The interim report for the six months ended June 30, 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the “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:

“AIGC”	Artificial Intelligence Generated Content
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“broadcasting 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 Part 2 of Appendix 14 to the Listing Rules
“Chairman”	the Chairman of the Board

“China” or the “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to “China” and the “PRC” do not apply to Taiwan Province, Hong Kong and the Macau Special Administrative Region of the People’s Republic of China
“Company” or “the Company”	Strawbear Entertainment Group (稻草熊娱乐集团), an exempted company with limited liability incorporated under the laws of Cayman Islands on January 3, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Consolidated Affiliated Entities”	the entities the Company controls through the Contractual Arrangements, namely Jiangsu Strawbear and its subsidiaries, further details of which are set out in “Contractual Arrangements” in the Prospectus
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Nanjing Strawbear, Jiangsu Strawbear and its registered shareholders, details of which are described in “Contractual Arrangements” in the Prospectus
“COVID-19”	novel coronavirus pneumonia
“D2C”	direct-to-consumer, a business model that manufacturers selling directly to their end-customers
“Director(s)”	director(s) of the Company
“drama series”	refers to the content produced for broadcast via TV channels or the internet, which is usually released in episodes that follow a narrative, consisting of TV series and web series
“first-run”	the first round broadcast of a drama series on the TV channel or online video platform
“Group” or “the Group”	the Company, its subsidiaries and Consolidated Affiliated Entities at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Hainan Yiming”	Hainan Yiming Media Culture Co.,Ltd. (海南翼鳴文化傳媒科技有限公司), a limited liability company established in the PRC on November 1, 2021 and indirectly controlled by the Company through the Contractual Arrangements

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IP(s)”	intellectual properties such as existing films, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new drama series or films
“IP reserve(s)”	a reserve of IPs for future production of drama series or films
“Jiangsu Strawbear”	Jiangsu Strawbear Film Co., Ltd. (江蘇稻草熊影業有限公司), a limited liability company established in the PRC on June 13, 2014 and indirectly controlled by the Company through the Contractual Arrangements
“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 the Group’s controlling shareholders and one of the registered shareholders of Jiangsu Strawbear
“Nanjing Strawbear”	Nanjing Strawbear Business Consulting Co., Ltd. (南京稻草熊商務諮詢有限公司), a limited liability company established in the PRC on September 17, 2018 and an indirectly wholly-owned subsidiary of the Company
“NRTA”	National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), the successor of the State Administration of Press, Publication, Radio, Film, and Television of the PRC (中華人民共和國國家新聞出版廣電總局)
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme approved and adopted by the Company on May 11, 2020, the principal terms of which are summarised in “Appendix IV – Statutory and General Information – D. Other Information – (1) Pre-IPO Share Option Scheme” in the Prospectus
“Prospectus”	the prospectus of the Company published on December 31, 2020
“re-run broadcast” 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
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the six-month period from January 1, 2023 to June 30, 2023
“RMB” or “Renminbi”	the lawful currency of the PRC
“RSU(s)”	restricted share unit(s) granted under the RSU Schemes, each of which represents one underlying Share, and represent a conditional right granted to any Selected Participant under the RSU Schemes to obtain the corresponding economic value of the underlying Shares, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion

“RSU Scheme(s)”	(i) the restricted share unit scheme adopted by the Company on September 15, 2021, as amended from time to time, and/or (ii) the 2022 restricted share unit scheme adopted by the Company on April 28, 2022, 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”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules.

By order of the Board of Directors  
**Strawbear Entertainment Group**  
**Liu Xiaofeng**  
*Chairman*

Nanjing, PRC, August 28, 2023

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