



a metaverse company

A Metaverse Company
一元宇宙公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1616)

INTERIM REPORT
2023

CONTENTS

Summary	2
Corporate Information	3
Management Discussion and Analysis	5
Supplementary Information	13
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	25
Condensed Consolidated Statement of Financial Position	26
Condensed Consolidated Statement of Changes in Equity	28
Condensed Consolidated Cash Flows Statement	29
Notes to the Unaudited Interim Financial Report	30

SUMMARY

For the six months ended 30 June 2023 (the “**Period under Review**”):

- Revenue was approximately RMB2.1 million, representing a decrease of approximately 93.3% as compared to approximately RMB31.2 million recorded for the corresponding period of last year.
- Gross profit was approximately RMB1.4 million, representing an increase of approximately RMB0.5 million, or approximately 55.6% as compared to that of the corresponding period of last year.
- Gross profit margin was approximately 65.3%, representing an increase of approximately 62.3 percentage points as compared to approximately 3.0% recorded for the corresponding period of last year.
- Loss attributable to the equity shareholders of the Company was approximately RMB0.4 million, representing a decrease of approximately RMB15.8 million as compared to the loss attributable to the equity shareholders of the Company of approximately RMB16.2 million for the corresponding period of last year.

CORPORATE INFORMATION

THE BOARD OF DIRECTORS

Executive Directors

Mr. LIU Dong (*Chairman*)
Mr. LIU Zongjun (*Chief Executive Officer*)
Mr. HE Han
Ms. YANG Qinyan

Independent Non-Executive Directors

Mr. LAM Kai Yeung
Ms. LIU Chen Hong
Mr. KWOK Pak Shing

COMPANY SECRETARY

Ms. CHAN Yin Wah, *FCG, HKFCG, FCCA*

AUTHORISED REPRESENTATIVES

Mr. LIU Dong
Ms. CHAN Yin Wah

AUDIT COMMITTEE

Mr. LAM Kai Yeung (*Chairman*)
Ms. LIU Chen Hong
Mr. KWOK Pak Shing

REMUNERATION COMMITTEE

Mr. KWOK Pak Shing (*Chairman*)
Mr. LIU Dong
Ms. LIU Chen Hong

NOMINATION COMMITTEE

Ms. LIU Chen Hong (*Chairman*)
Mr. LIU Dong
Mr. KWOK Pak Shing

REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 309, Uglan House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

102, Tower C, Shangkangcheng
No. 13, Zuojiashuangdongli
Chaoyang District, Beijing, The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISER TO THE COMPANY (HONG KONG LAW)

Loong & Yeung
Room 1603, 16/F, China Building
29 Queen's Road Central
Central, Hong Kong

AUDITOR

Moore CPA Limited
(formerly known as Moore Stephens CPA Limited)
Certified Public Accountants and Registered Public
Interest Entity Auditor
801-806 Silvercord, Tower 1
30 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

**HONG KONG BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE**

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

**CAYMAN ISLANDS SHARE REGISTRAR
AND TRANSFER OFFICE**

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
Level 6, HSBC Main Building
1 Queen's Road Central, Hong Kong

STOCK CODE

1616

COMPANY'S WEBSITE ADDRESS

<http://www.starrise.cn>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2023, the international environment became more complicated, but with the lifting of restrictive measures on policies to prevent and control the outbreak of Coronavirus Disease 2019 infection (the “**Pandemic**”) in the PRC, the economy and society fully resumed normal operation, and the overall economic operation rebounded and improved. According to the information released by the National Bureau of Statistics, in the first half of 2023, the gross domestic product (“**GDP**”) amounted to RMB59,303.4 billion, representing a year-on-year growth of 5.5% at constant prices. On a quarterly basis, GDP grew by 4.5% year-on-year in the first quarter and by 6.3% in the second quarter. The quarter-on-quarter GDP growth rates for each quarter of 2022 and the first and second quarters of 2023 were 1.0%, -1.9%, 3.2%, 0.5%, 2.2% and 0.8% respectively. It can be seen that although the domestic economy is showing an upward trend, the foundation for sustainable recovery and development is still unstable, and there is still a certain degree of pressure to stabilize growth.

According to the information from the National Film Bureau, the box office of China’s movie market in the first half of 2023 amounted to RMB26.271 billion, a year-on-year increase of 52.91%, but compared to the box office in the first half of each year since 2017, it was only in the second-last position, and had not yet recovered to the level of the same period in 2021. According to a report by Endata, theater box office dropped significantly in the first half of 2022 due to the impact of the Pandemic, with the number of \$10 million box office theaters being only 7. In 2023, the market basically returned to normal, with the number of theaters with box office over \$10 million being 113. The average theater occupancy rate in the first half of 2023 was 7.9%, an increase year-on-year, but still a significant gap compared to the 13.6%, 13.3%, and 10.6% in the same period from 2017 to 2019 before the Pandemic.

In respect of the drama business, according to the information released by the State Administration of Radio and Television, the number of TV dramas filed in the first half of 2023 was 234, a slight decrease compared with the 247 dramas in the first half of 2022, however, the market enthusiasm gradually recovered, and the results of “cutting costs and enhancing efficiency in an effort to maintain a steady and positive improvement of the production and operation” were further manifested. According to a report by Endata, the top platforms have made progress in tightening product quality control and downsizing procurement, with a total of 136 domestic dramas broadcasted in the first half of 2023, a year-on-year decrease of 4.9%. The volume-driven era has passed, and the content-driven era has brought the drama industry into a stage of high-quality development. Against the backdrop of intensified market competition and enhanced quality control by the platforms, drama companies lack new impetus for profitable growth in drama production and need to look for new business opportunities.

BUSINESS REVIEW

For the six months ended 30 June 2023, the loss before taxation of A Metaverse Company (the “**Company**”) together with its subsidiaries (collectively the “**Group**”) amounted to approximately RMB0.4 million, representing a decrease of approximately RMB16.5 million as compared to the loss before taxation of approximately RMB16.9 million for the same period of previous year. This was mainly due to the reversal of impairment of accounts receivable and the reversal of provisions made in previous years.

During the Period under Review, the animated film “Warrior King” (雪域少年) invested or produced by Beijing Huasheng Taitong Media Investment Company Limited (“**Huasheng Media**”, a wholly-owned subsidiary of the Group) was released in August 2023; the historical story drama “Blood Pledge for Thousands of Years” (血盟千年) would be released soon; the live-action sitcom “The New Big Head Son and The Little Head Father (Episodes 201-300)” (新大頭兒子小頭爸爸201-300集), the TV drama “Wu Dang” (天下武當) and the realistic drama “Yangtze River Bridge” (長江大橋) has completed the stage of script writing; and the TV drama “Mountain, Snow and Dreams” (那山那雪那夢), “Justice Is Beautiful” (正義是美麗的) and “Sanxiao Lane” (三孝巷) are at the stage of script preparation.

Among the films and TV series invested by Beijing Starrise Pictures Co., Ltd. (北京星宏影視文化有限公司) (“**Starrise Pictures**”, a wholly-owned subsidiary of the Group), the internet movie “Assault” (突擊) was released in January 2023; the youth nostalgic film “Once Upon A Time In The Northeast” (東北往事), the theatrical film “Twin Blades” (尖鋒姐妹) (formerly known as “Li Xiaolong and Programmer Girl” (曆小龍與程序媛)), as well as the internet mini-drama “Night Screaming” (一夜驚笑) are being submitted for screening; the youth nostalgic film “Here Comes Dashan” (大山來了) and the internet drama “Legend of Taotie” (饕餮記) are all currently at the release stage; the internet movies “Emergency Rescuing” (心跳營救) and “King of the Sniper” (狙擊之王) as well as the theatrical film “Tianta Crisis” (天塔危機) are currently at the stage of preparation for filming; the internet movies “New Tong Pak Foo Dim Chau Heung” (唐伯虎點秋香後傳), “Elderly Hero” (遲暮英雄), “The First Undercover in the Southern Song Dynasty – The Case of Demon Cat” (南宋第一臥底之妖貓案), “Mystery Case in Ying Dynasty” (大應奇案生死簿) and “Amaranthine Epiphyllum” (雙世曇花) have completed the stage of script writing.

Among the films and TV series invested or produced by Beijing Starwise Culture Media Co., Ltd. (“**Beijing Starwise**”, a wholly-owned subsidiary of the Group), the animated film “GO! REX” (你好·霸王龍) is currently at the stage of preparation for release; the internet drama “Her Fantastic Adventures” (第二次初見) (formerly known as “Back To The Dynasty” (午門囡事)) has completed its post-production process and was submitted for screening; TV drama “The Way to Glory: The Peak of Special Warfare” (魔鬼周之特戰巔峰) has obtained the approval from the Military Commission and a shooting license, being at the stage of script adjustment, and due to the scarcity of military subjects in the current market, this project has received positive feedback from the three major platforms of Tencent Video, Youku and Mango TV, which are synchronizing to promote cooperation, and are also exploring the feasibility of developing it into a youth growth and inspirational variety show that spreads positive energy; the internet movie “The Iron Bone and Steel Fist” (鐵骨鋼拳) was selected into the Youth Innovation Programme (青創計劃) of iQIYI and is under preparation; the internet dramas “Long-Lost Summer” (隱秘之夏) (formerly known as “Platinum Data” (白金數據)), “Bulletproof Teacher” (穿越火線: 防彈教師), “Fiber” (纖維), “Through the Storm” (玉骨瓷心) (formerly known as “Shiny Days” (雨過天晴雲開處)), “Limited Romance” (限定浪漫) and “The Iron Trophy” (鐵甲雄風), all of which are valuable IP projects of Beijing Starwise, have completed the stage of script writing and are at the stage of early investment and development.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the revenue, gross profit and gross profit margin of the Group's media business for the six months ended 30 June 2023 and 2022, respectively:

	For the six months ended 30 June					
	2023			2022		
	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Media business	2,134	1,393	65.3%	31,179	926	3.0%

For the six months ended 30 June 2023, revenue from the Group's film and TV business continuously decreased by approximately 93.3% as compared to the corresponding period of last year. The Group's gross profit margin increased by approximately 62.3 percentage points from approximately 3.0% of the corresponding period of last year to approximately 65.3% for the six months ended 30 June 2023. This was mainly due to the realization of distribution revenue of RMB1.9 million in the first half of 2023, which booked zero cost and represented 90.5% of the revenue for the Period under Review.

Distribution costs

For the six months ended 30 June 2023, the distribution costs of the Group were approximately RMB2.2 million, which decreased by approximately 37.1% as compared to approximately RMB3.5 million for the corresponding period of last year, which was mainly due to the fact that distribution costs in the first half of 2022 included the cost relating to the Group's acquisition of metaverse business of Digital Light Year Technology Co., Limited ("**Digital Light Year**") in 2021, which was sold in the second half of 2022.

Administrative expenses

For the six months ended 30 June 2023, the administrative expenses of the Group decreased to approximately RMB7.8 million, representing a decrease of approximately 62.0% as compared to that of approximately RMB20.5 million for the corresponding period of last year. The decrease was mainly due to the inclusion of metaverse business for the corresponding period of last year.

Research and development expenses

For the six months ended 30 June 2023, the Group did not have any research expenses, representing a decrease of approximately RMB2.6 million as compared to the research and development expenses of approximately RMB2.6 million for the same period in 2022, which was mainly attributable to the completion of the disposal of the metaverse business of Digital Light Year in the second half of 2022.

Other net (loss)/income

For the six months ended 30 June 2023, other net loss of the Group mainly comprised of the net foreign exchange loss.

Among them, the loss of approximately RMB7.1 million arising from the net foreign exchange loss increased by approximately RMB21.3 million as compared to that for the corresponding period of last year.

For the six months ended 30 June 2023, the total amount of other net loss of the Group was approximately RMB1.7 million, increased by approximately RMB21.7 million as compared to that of other net income of approximately RMB20.0 million for the corresponding period of last year.

Reversal of impairment losses on current assets

During the six months ended 30 June 2023, the Group recovered trade and other receivables that had been impaired in previous years and reversed impairment losses of approximately RMB14.8 million recorded in previous years.

Net finance costs

For the six months ended 30 June 2023, the Group recorded net finance costs of approximately RMB4.9 million, increased by approximately RMB2.6 million as compared to the net finance costs of approximately RMB2.3 million during the corresponding period in 2022. Such increase was mainly due to the increase of interest on bank loans and other borrowings.

Taxation

For the six months ended 30 June 2023, no tax was incurred as compared to the tax credit in the amount of RMB0.2 million in the corresponding period of last year. Such decrease was mainly due to: the offset of a portion of income tax expense as a result of the reversal of certain deferred income tax liabilities during the Period under Review.

Loss and total comprehensive expense attributable to the equity shareholders of the Company

For the six months ended 30 June 2023, the loss attributable to the equity shareholders of the Company was approximately RMB0.4 million (for the six months ended 30 June 2022: approximately RMB16.2 million). The decrease in loss was mainly due to the reversal of the impairment of trade receivables and the reversal of the provision for loss allowance made in previous years.

Liquidity and financial resources

As at 30 June 2023, cash and cash equivalents of the Group were approximately RMB244.3 million, representing an increase of approximately 2,141.3% from approximately RMB10.9 million as at 31 December 2022. This was mainly due to accelerated collection of accounts receivable and other receivables.

For the six months ended 30 June 2023, the Group's net cash used in operating activities was approximately RMB16.7 million, net cash generated from investing activities was approximately RMB258.4 million and net cash used in financing activities was approximately RMB8.4 million. With the Group's cost control measures and contingency measures implemented to mitigate the undesirable impact of the Pandemic, the board (the "**Board**") of directors (the "**Directors**") of the Company believes that the Group will be able to maintain a sound and stable financial position, and maintain sufficient liquidity and financial resources for its business need.

For customers who have long-established business relationship, good settlement record and sound reputation, the Group may consider granting a credit period on a case-to-case basis. The credit period typically ranges from 30 to 180 days, in order to maintain the sufficient cash flow and competitiveness within the industry. The length of credit period depends on various factors such as financial strength, scale of the business and settlement record of those customers. For the six months ended 30 June 2023, the average trade receivables (including bills receivable) turnover days of the Group was approximately 12,275 days, increased significantly from 1,190 days recorded during the corresponding period in the previous year. This was mainly due to the significant decrease in the Group's revenue as compared to the corresponding period of last year.

For the six months ended 30 June 2023, drama series and films turnover days of the Group increased to 53,210 days from 1,701 days for the corresponding period in 2022, which was mainly due to the decrease in sales of the Group's drama series and films as compared to the same period last year, with a significant decrease in the Group's revenue and cost of sales as compared to the same period last year and the increase in the average balance of the drama series and films. These turnover days were also heavily influenced by the overall industry environment.

As at 30 June 2023, the Group's bank borrowings, bonds, other borrowings and lease liabilities were approximately RMB121.8 million (31 December 2022: approximately RMB123.9 million), which bore fixed interest at rates ranging from 3.85% to 12.3% per annum (31 December 2022: 3.85% to 12.3%). As at 30 June 2023, the Group did not have any loans with floating interest (31 December 2022: Nil).

Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an optimal capital structure to reduce capital cost. As at 30 June 2023, the debts of the Group mainly consisted of bank loans, bonds, other borrowings and lease liabilities with a total amount of approximately RMB121.7 million (31 December 2022: approximately RMB123.9 million). As at 30 June 2023, cash and cash equivalents were approximately RMB244.3 million (31 December 2022: approximately RMB10.9 million). As at 30 June 2023, the Group's gearing ratio was approximately 56.1% (31 December 2022: gearing ratio was approximately 51.7%). The gearing ratio was calculated by dividing total debt (i.e. interest-bearing bank loans, bonds, other borrowings and lease liabilities, after deducting cash and cash equivalents) by total equity.

As at 30 June 2023, the Group's debts due within a year were approximately RMB111.1 million (31 December 2022: approximately RMB113.0 million).

Capital commitments

Save as disclosed in note 16 to the unaudited interim financial information, the Group did not have any other significant capital commitments as at 30 June 2023 (31 December 2022: Nil).

Employee and remuneration policy

As at 30 June 2023, the Group had a total of 58 employees (31 December 2022: 64).

For the six months ended 30 June 2023, staff costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB5.4 million (for the six months ended 30 June 2022: approximately RMB13.6 million). The decrease in staff costs was mainly due to decrease in number of the employees for metaverse business during the Period under Review.

The Group continues to provide training to its staff to improve their operational skills. Meanwhile, the Group enhanced the work efficiency of the staff through position consolidation, process reorganization and improvement of working and living environment of the staff. The remuneration of the employees of the Group was determined with reference to their working performance, experience and the industry practices. The management of the Group will also periodically review the Group's remuneration policy.

Exposure to foreign exchange risk and relative hedge

The Group has adopted a prudent policy in managing its exchange rate risk. The imports and exports of the Group were settled in US dollars. The bonds and foreign currency bank deposits were calculated in HK dollars. The Group did not experience any significant difficulties in its operations or liquidity as a result of fluctuations in the currency exchange rates during the Period under Review. The Board believes that the Group will have sufficient foreign currency reserves to meet its requirements.

The Group did not use any foreign currency derivatives to hedge against the exposure in foreign exchange risk during the Period under Review.

Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2023.

Charges on assets

The Group did not have any machinery and equipment pledged to banks as securities for the bank borrowings and lease liabilities as at 30 June 2023 (31 December 2022: Nil).

Significant investments

As at 30 June 2023, the Group did not hold any significant investments in equity interest in any other company.

Future plans for material investments and capital assets

As at the date of this report, the Group did not have any plans for future material investments and capital assets.

Material acquisitions and disposals of subsidiaries, joint ventures and associated companies

For the six months ended 30 June 2023, the Group did not have any material acquisitions or disposals of subsidiaries, joint ventures and associated companies.

OUTLOOK

In the first half of 2023, with the lifting of the prevention and control measures of the Pandemic, China's economy showed a trend of recovery and improvement. According to the information released by the National Bureau of Statistics, in the first half of 2023, the value added of the tertiary industry amounted to RMB33,193.7 billion, representing a year-on-year increase of 6.4% and contributing 66.1% to the economic growth; the total retail sales of consumer goods amounted to RMB22,758.8 billion, representing a year-on-year increase of 8.2%. As socio-economic operations resumed normalization, final consumption also recovered, and the media industry as a whole recovered as well.

Meanwhile, we also note that with the continuous development and upgrading of 5G technology, short videos, live broadcasting, games and other emerging audio-visual formats surged significantly, increasing users' stickiness to short videos, live streaming and other online scenes, and initiated increasingly intensified competition for traditional audio-visual formats such as drama series and films and variety shows, further posing challenges to the traditional drama series and films industry. In order to cope with the challenges brought about by the development of technology and the shift in market preferences, the Group has actively explored the short video and live broadcasting sectors and made substantial progress in new business areas in 2023. In August 2023, Starrise Pictures signed a cooperation agreement with a company under OST Media, a leading multi-channel network organization in China, to jointly develop and operate a new project with high potential in the live broadcasting scenario, namely "pop-up interactive play", which is expected to be launched in October 2023 on Douyin. In the future, the Group will continue to explore more possibilities on the basis of improving the quality of existing TV drama series and films. We will gradually adjust our investment strategies and product structures in accordance with regulatory policies and market preferences, and seek more and better investment opportunities in accordance with the conditions of media market while enhancing the quality of product contents.

As the film and TV business is gradually recovering alongside with the economy, the Group is optimistic about the long-term development of the film and TV media industry in China. The Group will pay close attention to the government policies and trends related to the film and TV media industry and make full use of its existing resources to seek opportunities in the film and TV drama market and diversify its media business, so as to generate better rewards for the shareholders of the Company (the "Shareholders") and to facilitate and sustain the Group's development.

At present, the Group is progressing with its various preparatory plans and filming work in an orderly manner. The Group's films and television series aired in the first half of 2023 and the future production plans for its films and television series are set out below:

No.	Name	Genre	(Planned) Shooting commencement date	Status
1	Her Fantastic Adventures" (第二次初見) (formerly known as "Back To The Dynasty" (午門囡事))	Internet dramas	In November 2020	Waiting for premiering
2	Once Upon A Time In The Northeast (東北往事)	Youth nostalgic film	In March 2017	Submitted for screening
3	Twin Blades (尖鋒姐妹) (formerly known as Li Xiaolong and Programmer Girl (曆小龍與程序媛))	Theatrical film	In May 2019	Submitted for screening

No.	Name	Genre	(Planned) Shooting commencement date	Status
4	Night Screaming (一夜驚笑) (formerly known as "Scream" (驚聲尖笑), "Horror Blockbuster" (恐不大片))	Internet mini-drama	In November 2017	At the release stage
5	Here Comes Dashan (大山來了)	Youth nostalgic film	In December 2017	At the release stage
6	Legend of Taotie (饕餮記)	Internet dramas	In October 2018	At the release stage
7	Blood Pledge for Thousands of Years (血盟千年)	Historical story drama	In October 2019	At the release stage
8	Warrior King (雪域少年) (formerly known as "Tempering of King Gelsall" (格薩爾王之磨煉))	Animated film	–	At the release stage
9	GO! REX (你好·霸王龍)	Animated film	In May 2017	Preparing for release
10	King of the Sniper (狙擊之王)	Internet movie	To be determined	Preparing for filming
11	Emergency Rescuing (心跳營救)	Internet movie	To be determined	Preparing for filming
12	Tianta Crisis (天塔危機)	Theatrical film	To be determined	Preparing for filming
13	The Iron Bone and Steel Fist (鐵骨鋼拳)	Internet movie	To be determined	Preparing for filming
14	Mystery Case in Ying Dynasty (大應奇案生死簿)	Internet movie	To be determined	Script completed
15	Elderly Hero (遲暮英雄)	Internet movie	To be determined	Script completed
16	The First Undercover in the Southern Song Dynasty – The Case of Demon Cat (南宋第一臥底之妖貓案)	Internet movie	To be determined	Script completed
17	New Tong Pak Foo Dim Chau Heung (唐伯虎點秋香後傳)	Internet movie	To be determined	Script completed
18	Amaranthine Epiphyllum (雙世曇花)	Internet movie	To be determined	Script completed
19	Yangtze River Bridge (長江大橋)	Realistic dramas	To be determined	Script completed
20	Wu Dang (天下武當)	Television drama	To be determined	Script completed
21	The New Big Head Son and The Little Head Father (Episodes 201-300) (新大頭兒子小頭爸爸201-300集)	Situation comedy	To be determined	Script completed
22	The Iron Trophy (鐵甲雄風)	Internet movie	To be determined	Script completed
23	Long-Lost Summer (隱秘之夏)	Internet dramas	To be determined	Script completed
24	Bulletproof Teacher (穿越火線：防彈教師)	Internet dramas	To be determined	Script completed
25	Limited Romance (限定浪漫)	Internet dramas	To be determined	Script completed
26	Fiber (纖維)	Internet dramas	To be determined	Script completed
27	Through the Storm (玉骨瓷心) (formerly known as "Shiny Day" (雨過天晴雲開處))	Internet dramas	To be determined	Script completed
28	The Way to Glory: The Peak of Special Warfare (魔鬼周之特戰巔峰)	Television drama	To be determined	Preparing script
29	Mountain, Snow and Dreams (那山那雪那夢)	Television drama	To be determined	Preparing script
30	Justice Is Beautiful (正義是美麗的)	Television drama	To be determined	Preparing script
31	Sanxiao Lane (三孝巷)	Television drama	To be determined	Preparing script

SUPPLEMENTARY INFORMATION

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

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2023, the Directors and chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Name of Directors	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Mr. LIU Dong <i>(Note 3)</i>	The Company	Interest of a controlled corporation	307,809,902 Shares (L)	14.31%
Mr. HE Han	The Company	Beneficial owner	13,998,000 Shares (L)	0.65%

Notes:

- The letter "L" denotes the Directors' long position in the shares of the Company (the "Shares") or the relevant associated corporation.
- Total issued Shares as at 30 June 2023 is 2,151,577,026.
- The Shares are held by Excel Orient Limited, a company incorporated in the British Virgin Islands and the entire issued capital of which is beneficially owned by Mr. LIU Dong, one of the controlling shareholders and an executive Director.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Capacity/nature of interest	Number of Shares and underlying Shares held/interested <i>(Note 1)</i>	Approximate percentage of shareholding
Cinedigm Corp. <i>(Note 2)</i>	Beneficial owner	366,590,397 (L)	17.04%
Excel Orient Limited <i>(Note 3)</i>	Beneficial owner	307,809,902 (L)	14.31%
Ms. WANG Lingli <i>(Note 4)</i>	Family interest	307,809,902 (L)	14.31%
Aim Right Ventures Limited (" Aim Right ") <i>(Note 5)</i>	Beneficial owner and interests of a controlled corporation	505,322,946 (L)	23.49%
Link Wealth Holding Limited (" Link Wealth ") <i>(Note 5)</i>	Beneficial owner	184,810,126 (L)	8.59%
Mr. LIU Zhihua <i>(Note 5)</i>	Interests of a controlled corporation	505,322,946 (L)	23.49%
Emerge Ventures Limited <i>(Note 6)</i>	Beneficial owner	171,926,000 (L)	7.99%
Mr. JIN Peng <i>(Note 6)</i>	Interests of a controlled corporation	171,926,000 (L)	7.99%
Ms. SHEN Si <i>(Note 7)</i>	Family interest	171,926,000 (L)	7.99%
Jinbi Market (Hong Kong) Limited <i>(Note 8)</i>	Beneficial owner	303,609,790 (L)	14.11%
Yunnan Jinma Biji Tourism Hypermall Co., Ltd.* (雲南金馬碧雞旅遊商城股份有限公司) <i>(Note 8)</i>	Interests of a controlled corporation	303,609,790 (L)	14.11%
Kunming Municipal Infrastructure Integrated Development and Construction (Group) Shares Co., Ltd.* (昆明市政基礎設施綜合開發建設(集團)股份有限公司) <i>(Note 8)</i>	Interests of a controlled corporation	303,609,790 (L)	14.11%
Pioneer Investment Co., Ltd* (先鋒投資有限公司) <i>(Note 8)</i>	Interests of a controlled corporation	303,609,790 (L)	14.11%
SHI Zhengmin <i>(Note 8)</i>	Interests of a controlled corporation	303,609,790 (L)	14.11%
BeiTai Investment LP <i>(Note 9)</i>	Beneficial owner	128,205,128 (L)	5.96%
BeiTai Investment Limited <i>(Note 9)</i>	Interests of a controlled corporation	128,205,128 (L)	5.96%
Wang Jian <i>(Note 9)</i>	Interests of a controlled corporation	128,205,128 (L)	5.96%

Notes:

1. The letter "L" denotes the long position of the persons/entities (other than the Directors or chief executive of the Company) in the Shares or the relevant associated corporation.
2. Cinedigm Corp. is a company registered in Delaware with its Class A Common Stock listed on the NASDAQ Global Market with stock code: CIDM.
3. Excel Orient Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. LIU Dong, one of the controlling shareholder and the executive Directors of the Company. Therefore, Mr. LIU Dong is also deemed to be interested in the shares held by Excel Orient Limited.
4. Ms. WANG Lingli is the spouse of Mr. LIU Dong. Therefore, Ms. WANG Lingli is deemed, or taken to be interested in the Shares which Mr. LIU Dong is interested in for the purpose of the SFO.
5. Link Wealth directly holds 184,810,126 Shares, which is a limited company incorporated in Hong Kong and wholly owned by Aim Right, a limited liability company incorporated in the BVI. Therefore, Aim Right is deemed to be interested in the 184,810,126 Shares held by Link Wealth by virtue of the SFO. In addition, 320,512,820 Shares are directly held by Aim Right, which is wholly owned by Mr. LIU Zhihua ("Mr. LIU"). By virtue of the SFO, Mr. LIU is deemed to be interested in all the Shares directly and indirectly held by Aim Right.
6. The entire issued share capital of Emerge Ventures Limited (a limited company incorporated in Hong Kong) is wholly owned by Mr. JIN Peng. Therefore, Mr. JIN Peng is deemed to be interested in all the Shares held by Emerge Ventures Limited.
7. Ms. SHEN Si is the spouse of Mr. JIN Peng. Therefore, Ms. SHEN Si is deemed, or taken to be interested in the Shares which Mr. JIN Peng is interested in for the purpose of the SFO.
8. Jinbi Market (Hong Kong) Limited* (金碧商場(香港)有限公司) is a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is wholly owned by Yunnan Jinma Biji Tourism Hypermall Co., Ltd.* (雲南金馬碧雞旅游商場股份有限公司) ("Yunnan Jinma"). The entire issued share capital of Yunnan Jinma is owned as to 83.72% by Kunming Municipal Infrastructure Integrated Development and Construction (Group) Shares Co., Ltd.* (昆明市政基礎設施綜合開發建設(集團)股份有限公司) ("Kunming Construction") and as to 2.33% by Pioneer Investment Co., Ltd.* (先鋒投資有限公司) ("Pioneer Investment"), and the remaining 13.95% being held by 4 other independent third parties with their respective shareholdings not exceeding 10% of the issued share capital of Yunnan Jinma. The entire issued share capital of Kunming Construction is owned (a) as to 69.34% by Pioneer Investment, which in turn is owned as to 70% by SHI Zhengmin (石政民) and 30% by SHI Yimin (石義民); (b) as to 8.17% by CHEN Hongbing (陳宏兵); and (c) as to the remaining 22.49% being held by 4 other independent third parties (with their ultimate beneficial shareholders being State-own Legal-person Shareholder) with their respective shareholdings not exceeding 10% of the issued share capital of Kunming Construction.
9. BeiTai Investment LP is controlled by BeiTai Investment Limited which is controlled by Wang Jian. By virtue of the SFO, BeiTai Investment Limited and Wang Jian are deemed to be interested in all the Shares which BeiTai Investment LP is interested in.

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

Adapting and adhering to the recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that leads to the success of the Company and in balancing the interests of Shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company has adopted the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code contained in Part 2 – Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices of Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. The Company had complied with the Code Provisions throughout the Period under Review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions of Directors. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standards of dealing as set out in the Model Code throughout the Period under Review.

AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters (including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 and this report). The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

SHARE OPTION SCHEME

Share Option Scheme adopted on 20 January 2022 (the “Share Option Scheme”)

On 19 January 2022, the Shareholders passed the ordinary resolutions, among the others, to adopt the Share Option Scheme. The Share Option Scheme was adopted with effect from 20 January 2022.

Set out below is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Group to grant Options to selected participants as incentives or rewards for their contribution to the Group, in particular:

- (a) to motivate them to optimise their performance and efficiency for the benefit of the Group; and
- (b) to attract and retain or otherwise maintain ongoing business relationships with them whose contributions are or will be beneficial to the Group.

2. Who May Join

The Board may, at its discretion, invite any person belonging to any class of the Eligible Participants to take up Options to subscribe for Shares.

3. Grant of Options and Acceptance of Offers

The Board shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound, at any time within a period of ten (10) years commencing on the Adoption Date to make an Offer to such Eligible Participant as the Board may in its discretion select to subscribe for such number of Shares at the Exercise Price as the Board shall determine.

The Board shall not make an Offer to any Eligible Participant after inside information has come to its knowledge until (and including) the trading day after the Company has announced the information pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately before the earlier of (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to announce its results for any year or half-year, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option may be granted.

The Board shall forward to the Eligible Participant an offer document in such form as the Board may from time to time determine. The Offer shall remain open for acceptance by the Eligible Participant concerned (and by no other person, including his Personal Representative(s)) for a period of ten (10) Business Days provided that no such Offer shall be open for acceptance after the Termination Date or after the Share Option Scheme has been terminated.

An Option shall be deemed to have been granted and accepted by the Grantee and to have taken effect when the duplicate offer document constituting acceptances of the Options duly signed by the Grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

4. Exercise Price

The Exercise Price in respect of any Option shall, subject to any adjustments made pursuant to the terms in the Share Option Scheme, be at the absolute discretion of the Board, provided that it shall be not less than the highest of:

- (a) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant;
- (b) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five (5) Business Days immediately preceding the Date of Grant; and
- (c) the nominal value of the Shares.

5. Maximum Number of the Shares Available for Subscription

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the date of approval of the Shareholders for the adoption of the Share Option Scheme (the "**Scheme Limit**"), excluding for this purpose Shares which would have been issuable pursuant to Options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (a) renew the Scheme Limit at any time to 10% of the Shares in issue (the "**New Scheme Limit**") as at the date of the approval by the Shareholders in general meeting; and/or
- (b) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the Options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time (the "**Maximum Limit**"). No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which Options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with the Share Option Scheme whether by way of capitalisation issue, rights issue, open offer (if there is a price-dilutive element), consolidation, sub-division of shares or reduction of the share capital of the Company but in no event shall exceed the limit prescribed herein.

6. Maximum Entitlement of Each Grantee

The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding Options and Shares which were the subject of Options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the Date of Grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (a) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (b) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person of the Company) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such Eligible Participant must be fixed before the Company's Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the Options to such Eligible Participant shall be taken as the Date of Grant for the purpose of calculating the subscription price of the Shares.

7. Grant of Options to Connected Persons

Any grant of Options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the Grantee).

If the Board proposes to grant Options to a substantial shareholder or any independent non-executive director of the Company or their respective associates which will result in the number of Shares issued and to be issued upon exercise of Options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange at the date of each grant,

such further grant of Options will be subject to the approval of the independent non-executive directors of the Company as referred to in this paragraph, the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which the Grantee, his associates and all core connected persons of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time.

The circular to be issued by the Company to its shareholders pursuant to this paragraph shall contain the following information:

- (a) the details of the number and terms (including the exercise price) of the Options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting of the Company and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such Options;
- (b) a recommendation from the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who is the Grantee of the Options) to the independent shareholders of the Company as to voting;
- (c) the information required under Rules 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (d) the information required under Rule 2.17 of the Listing Rules.

Parties that are required to abstain from voting in favour at the general meeting referred to in this paragraph may vote against the resolution at the general meeting of the Company provided that their intention to do so has been stated in the circular to shareholders of the Company.

8. Rights of Grantees

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any Option or attempt to do so (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing by a Grantee shall entitle the Company to cancel any outstanding Options or any part thereof granted to such Grantee.

An Option shall be exercisable in whole or in part in accordance with the terms and conditions of the Share Option Scheme by the Grantee by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is so exercised. Such notice is to be accompanied by a remittance for the full amount of the Exercise Price for the Shares in respect of which the notice is given.

The Shares to be allotted upon the exercise of an Option will not carry voting rights or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) until completion of the registration of the Grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of Options will rank pari passu and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

9. Time of Exercise of an Option

A period (which may not end later than ten (10) years from the Offer Date) to be determined and notified by the Board to the Grantee thereof and, in the absence of such determination, from the date of acceptance of the offer of such Option to the earlier of the date on which such Option lapses and ten (10) years from the Date of Grant.

The Board may, at its absolute discretion, fix any minimum period for which an Option must be held and any other conditions that must be fulfilled before the Options can be exercised upon the grant of an Option to an Eligible Participant.

Subject as hereinafter provided, an Option may (and may only) be exercised by the Grantee at any time or times during the Option Period provided that:

- (a) in the event of the Grantee, who is an employee of the Group at the time of the grant of the Option, ceasing to be an employee thereof by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its Subsidiaries specified in the Share Option Scheme has occurred, the Grantee or, as appropriate, his Personal Representative(s) may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of the Share Option Scheme within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death;
- (b) in the event that the Grantee, who is an employee of the Group at the time of the grant of the Option, ceases to be an employee thereof by reason other than his death, ill-health, injury, disability or termination of his relationship with the Company and/or any of its Subsidiaries on one of more of the grounds specified in the Share Option Scheme, the Grantee may exercise the Option up to the entitlement of the Grantee as at the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not;
- (c) if a general offer is made to all the Shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Hong Kong Code on Takeovers and Mergers)) and such general offer becomes or is declared unconditional during the Option Period of the relevant Option, the Grantee of an Option shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within fourteen (14) days after the date on which the offer becomes or is declared unconditional;

- (d) in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all Grantees and thereupon, each Grantee (or his Personal Representative(s)) shall be entitled to exercise all or any of his Options (to the extent not already exercised) at any time not later than two Business Days prior to the date of the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the Grantee credited as fully paid;
- (e) if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the Grantees of the Options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any Grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given (such notice to be received by the Company no later than two (2) Business Days prior to the date of the proposed meeting), exercise the Option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise of the Option credited as fully paid and register the Grantee as holder thereof. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of Grantees to exercise their respective Options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

10. Performance Target

The Board may, at its absolute discretion, fix any performance targets that must be achieved and any other conditions that must be fulfilled before the Options can be exercised upon the grant of an Option to an Eligible Participant.

11. Reorganisation of Capital Structure

In the event of any alteration in the capital structure of the Company whilst any Option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price-dilutive element), consolidation, subdivision or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding Options and/or the subscription price per Share of each outstanding Option and/or the Scheme Limit, the New Scheme Limit and the Maximum Limit as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issues relating to share option schemes. The capacity of the auditors of the Company or the approved independent financial adviser, as the case may be, in this Clause is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the Grantees.

12. Early Termination of Option Period

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the date of expiry of the option as may be determined by the Board;
- (b) the expiry of any of the periods referred to in paragraph 9;
- (c) the date on which the scheme of arrangement of the Company referred to in paragraph 9(e) becomes effective;
- (d) subject to paragraph 9(d), the date of commencement of the winding-up of the Company;
- (e) the date on which the Grantee ceases to be an Eligible Participant by reason of such Grantee's resignation from the employment of the Company or any of its Subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (f) the date on which the Board shall exercise the Company's right to cancel the Option at any time after the Grantee commits a breach referred to in paragraph 8 or the Options are cancelled in accordance with the terms of the Share Option Scheme.

13. Cancellation of Option Granted

Any cancellation of Options granted but not exercised must be approved by the Grantees of the relevant Options in writing. For avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph 12 above.

14. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of Options granted shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any Option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the Grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders of the Company in general meeting.

15. Termination

The Company may by resolution in general meeting or the Board at any time terminate the operation of the Share Option Scheme and in such event no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any outstanding Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Outstanding Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

On 27 January 2022, the Board resolved to grant share options to certain participants under the Share Option Scheme (the “Grantees”) to subscribe for a total of 144,440,000 ordinary shares with a nominal value of US\$0.01 each of the Company, which represent approximately 6.71% of the issued share capital of the Company on 27 January 2022. The share options were granted to the Grantees on 27 January 2022 and all the share options were vested immediately on the date of grant, and expired on 30 January 2023. The number of share options that are available for grant under the scheme as at 1 January 2023 was 70,717,702 and as at 30 June 2023 was 215,157,702.

Details of the movement of share options under the Share Option Scheme during the Period under Review are as follows:

Grantee	Date of grant	Number of the Option under the Share Option Scheme granted	Vesting date	Exercisable period	Exercised price (HK\$)	Closing price immediately before the date of grant (HK\$)	Number of outstanding options as at 1 January 2023	Granted during the Period under Review	Exercised during the Period under Review	Cancelled/ lapsed during the Period under Review	Number of outstanding options as at 30 June 2023
Employees of the Group	27 January 2022	144,400,000	The Options shall vest immediately on the date of grant	Exercisable within 24 months from the date of grant	HK\$0.181	0.168	144,440,000	0	0	144,440,000	0

For details, please refer to the announcement of the Company dated 27 January 2022.

Apart from the Share Option Scheme, at no time during the Period under Review was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such right.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period that needs to be disclosed.

SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2022, and remains suspended until further notice pending, among other matters, fulfilling of the guidance for the resumption of trading in the shares by the Stock Exchange. Please refer to the paragraph headed “Suspension of Trading” on pages 16–17 in the annual report of the Company for the year ended 31 December 2021 published on 15 June 2023 for details.

The Company will publish further announcement(s) in due course to inform the Shareholders and potential investors the progress of resumption of trading.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – Unaudited

	Notes	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	3	2,134	31,179
Cost of sales and services		(741)	(30,253)
Gross profit		1,393	926
Other net (loss)/income	4	(1,659)	20,045
Distribution costs		(2,248)	(3,506)
Administrative expenses		(7,788)	(20,495)
Research and development expenses		–	(2,569)
Reversal of impairment losses/(impairment losses)	5(b)	14,773	(8,931)
Profit/(loss) from operation		4,471	(14,530)
Net finance costs	5(a)	(4,874)	(2,327)
Loss before taxation	5	(403)	(16,857)
Income tax credit	6	–	227
Loss and total comprehensive expense for the period		(403)	(16,630)
Attributable to:			
Equity shareholders of the Company		(387)	(16,220)
Non-controlling interests		(16)	(410)
Loss and total comprehensive expense for the period		(403)	(16,630)
Basic loss per share (RMB cents)	7(a)	(0.02)	(0.75)
Diluted loss per share (RMB cents)	7(b)	(0.02)	(0.75)

The notes on pages 30 to 48 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – Unaudited

		As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		137	250
Intangible assets	8	12,000	13,000
Goodwill		–	–
Financial assets at fair value through profit or loss		1,870	1,870
Investment in an associate		15	–
Other receivables	9	28,390	32,029
Drama series and films	10	92,690	92,402
		<u>135,102</u>	<u>139,551</u>
Current assets			
Drama series and films	10	15,448	15,448
Trade and other receivables	9	131,208	370,441
Cash and cash equivalents		244,280	10,890
		<u>390,936</u>	<u>396,779</u>
Current liabilities			
Trade and other payables	11	142,461	150,680
Bank loans		25,425	27,800
Other borrowings	12	85,078	84,511
Lease liabilities		635	672
Current taxation		39,487	39,487
		<u>293,086</u>	<u>303,150</u>
Net current assets		<u>97,850</u>	<u>93,629</u>
Total assets less current liabilities		<u>232,952</u>	<u>233,180</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – Unaudited (continued)

	<i>Notes</i>	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Non-current liabilities			
Lease liabilities		10,614	10,939
Deferred tax liabilities		3,718	3,718
		<u>14,332</u>	<u>14,657</u>
Net assets		<u>218,620</u>	<u>218,523</u>
Capital and reserves			
Share capital	<i>13(b)</i>	137,801	137,801
Reserves		80,580	80,967
Total equity attributable to equity shareholders of the Company		218,381	218,768
Non-controlling interests		239	(245)
Total equity		<u>218,620</u>	<u>218,523</u>

The notes on pages 30 to 48 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – Unaudited

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premiums	Share option reserve	Statutory surplus reserve	Other reserve	Accumulated losses	Total		
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	137,801	857,469	–	88,020	82,385	(728,864)	436,811	2,460	439,271
Change in equity for the six months ended 30 June 2022:									
Loss and total comprehensive expense for the period	–	–	–	–	–	(16,220)	(16,220)	(410)	(16,630)
Contribution of capital from non-controlling shareholder	–	–	–	–	–	–	–	502	502
Recognition of equity-settled share-based payments	¹⁴ –	–	5,751	–	–	–	5,751	–	5,751
Balance at 30 June 2022 and 1 July 2022	<u>137,801</u>	<u>857,469</u>	<u>5,751</u>	<u>88,020</u>	<u>82,385</u>	<u>(745,084)</u>	<u>426,342</u>	<u>2,552</u>	<u>428,894</u>
Balance at 31 December 2022 and 1 January 2023	137,801	857,469	5,751	88,020	82,385	(952,658)	218,768	(245)	218,523
Change in equity for the six months ended 30 June 2023:									
Loss and total comprehensive expense for the period	–	–	–	–	–	(387)	(387)	(16)	(403)
Contribution of capital from non-controlling shareholder	–	–	–	–	–	–	–	500	500
Transfer upon forfeiture of share options	¹⁴ –	–	(5,751)	–	–	5,751	–	–	–
Balance at 30 June 2023	<u>137,801</u>	<u>857,469</u>	<u>–</u>	<u>88,020</u>	<u>82,385</u>	<u>(947,294)</u>	<u>218,381</u>	<u>239</u>	<u>218,620</u>

The notes on pages 30 to 48 form part of these financial statements.

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

For the six months ended 30 June 2023 – Unaudited

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Operating activities		
Cash used in operation	(16,709)	(88,948)
Tax paid	–	–
Net cash used in operating activities	(16,709)	(88,948)
Investing activities		
Payments for the purchase of property, plant and equipment and intangible assets	–	(7,677)
Proceeds from repayments of disposal subsidiaries	163,687	89,000
Capital contributions to an associate	(15)	–
Proceeds from repayments of advances to third parties	92,956	–
Interest received	1,816	–
Net cash generated from investing activities	258,444	81,323
Financing activities		
Capital contribution from non-controlling shareholders	500	–
Capital element of lease rentals paid	(362)	(1,828)
Interest element of lease rentals paid	(291)	(320)
Proceeds from bank loans	8,800	–
Repayment of bank loans	(11,175)	(2,200)
Repayment for other borrowing	(5,832)	(10,630)
Net cash used in financing activities	(8,360)	(14,978)
Net increase/(decrease) in cash and cash equivalents	233,375	(22,603)
Cash and cash equivalents at 1 January	10,890	35,498
Effect of foreign exchange rate change	15	(147)
Cash and cash equivalents at 30 June	244,280	12,748

The notes on pages 30 to 48 form part of these financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”) “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

(a) Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs, issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

None of these amendments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

(b) Significant changes in significant judgements and key sources of estimation uncertainty

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

3. REVENUE

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Licensing of drama series and films, transfer of license of drama series and films	2,130	30,597
– Provision of drama series and films production, distribution and related services	4	582
	2,134	31,179

The Group's revenue is substantially in the People's Republic of China (the "PRC") and the Group's operating assets are substantially situated in the PRC. Accordingly, no analysis based on geographical locations of the customers and assets is provided.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Disaggregated by timing of revenue recognition		
– Point in time	2,134	30,714
– Over time	–	465
	2,134	31,179

4. OTHER NET (LOSS)/INCOME

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Net income from investments in drama series and films	(i)	852	1,688
Change in fair value of derivatives embedded in other borrowing		–	2,201
Net foreign exchange (loss)/gains		(7,091)	14,213
Others		4,580	1,943
		<u>1,659</u>	<u>20,045</u>

Note:

- (i) The amount represents net finance income from advances relating to drama series and films included with fixed-income rate as described in note 9(a).

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Interest on bonds	1,529	1,432
Interest on bank loans and other borrowings	3,474	1,368
Interest on lease liabilities	291	320
Interest income	(1,816)	(2,451)
Net foreign exchange losses	1,389	1,645
Bank charges	7	13
	<u>4,874</u>	<u>2,327</u>

5. LOSS BEFORE TAXATION (Continued)

(b) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Amortisation on intangible assets	1,000	4,615
Depreciation		
– owned property, plant and equipment	63	94
– right-of-use assets	50	847
(Reversal of impairment losses)/impairment losses		
– trade and other receivables	<u>(14,773)</u>	<u>8,931</u>

6. INCOME TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax	–	–
Deferred tax	–	(227)
	<u>–</u>	<u>(227)</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.
- (ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the six months ended 30 June 2023 and 2022, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

6. INCOME TAX (Continued)

- (iii) The Group's PRC subsidiaries are subject to income tax rate of 25% (2022: 25%), except for Hainan Yingsheng Media Co., Ltd. which operates in Hainan province and engages in the production and distribution of drama series and films, it is subject to a preferential tax rate of 15% from 2020 to 2024.
- (iv) Dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. Star Rise Investments Ltd. and Star Will Investments (HK) Ltd., Hong Kong subsidiaries of the Company, would be subject to PRC dividend withholding tax on dividends receivable from their PRC subsidiaries.
- (v) Pursuant to the PRC Enterprise Income Tax preferential policies in Khorgos of Xinjiang province, Khorgos Starrise Qicheng Media Co., Ltd., Khorgos Starrise Han Media Co., Ltd. and Khorgos Starwise Culture Media Co., Ltd. subsidiaries of the Company located in Khorgos of Xinjiang province and are principally engaged in the production and distribution of drama series and films, are entitled to a tax holiday of 5-year full exemption on Enterprise Income Tax commencing from the first revenue-generating year. The first exemption year for Khorgos Starrise Qicheng Media Co., Ltd., is 2019.

Khorgos Starrise Han Media Co., Ltd. and Khorgos Starwise Culture Media Co., Ltd. were established in October and November 2020 respectively and no revenue was earned in 2022 and 2023.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the parent of RMB387,000 (six months ended 30 June 2022: RMB16,220,000) and the weighted average of 2,151,577,000 ordinary shares (2022: 2,151,577,000 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the parent of RMB387,000 (six months ended 30 June 2022: RMB16,220,000) and the weighted average of 2,151,577,000 ordinary shares (2022: 2,151,577,000 ordinary shares) in issue during the interim period.

8. INTANGIBLE ASSETS

	Contractual right <i>(Note (a))</i> RMB'000	Patents and Trademarks <i>(Note (b))</i> RMB'000	Computer software RMB'000	Total RMB'000
Cost:				
At 1 January 2022	20,000	18,732	35	38,767
Additions	–	5,155	–	5,155
Disposal of subsidiaries	–	(23,887)	–	(23,887)
	<u>20,000</u>	<u>–</u>	<u>35</u>	<u>20,035</u>
At 31 December 2022	20,000	–	35	20,035
	<u>20,000</u>	<u>–</u>	<u>35</u>	<u>20,035</u>
At 1 January 2023 and 30 June 2023	20,000	–	35	20,035
Accumulated amortisation:				
At 1 January 2022	(5,000)	(568)	(28)	(5,596)
Charge for the year	(2,000)	(6,703)	(7)	(8,710)
Written back upon disposal of subsidiaries	–	7,271	–	7,271
	<u>(7,000)</u>	<u>–</u>	<u>(35)</u>	<u>(7,035)</u>
At 31 December 2022	(7,000)	–	(35)	(7,035)
	<u>(7,000)</u>	<u>–</u>	<u>(35)</u>	<u>(7,035)</u>
At 1 January 2023	(7,000)	–	(35)	(7,035)
Charge for the period	(1,000)	–	–	(1,000)
	<u>(8,000)</u>	<u>–</u>	<u>(35)</u>	<u>(8,035)</u>
At 30 June 2023	(8,000)	–	(35)	(8,035)
	<u>(8,000)</u>	<u>–</u>	<u>(35)</u>	<u>(8,035)</u>
Net book value:				
At 30 June 2023	12,000	–	–	12,000
	<u>12,000</u>	<u>–</u>	<u>–</u>	<u>12,000</u>
At 31 December 2022	13,000	–	–	13,000
	<u>13,000</u>	<u>–</u>	<u>–</u>	<u>13,000</u>

Notes:

- (a) The Group acquired the contractual right under an arrangement for provision of training services relating to films production, which would be amortised over the contractual period.
- (b) The patent and trademarks were purchased as part of a business combination during the year ended 31 December 2021. All the patents and trademarks are used for provision of cloud gaming, software development and technology consulting services.

9. TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on revenue recognition date and net of loss allowance, is as follows:

	<i>Notes</i>	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade receivables			
– Less than 3 months		132	25,201
– 3 to 6 months		–	11,794
– 6 to 12 months		28,785	–
– More than one year		35,103	42,583
		<u>63,993</u>	<u>79,578</u>
Trade receivables, net of loss allowance		63,993	79,578
Advances relating to drama series and films	(a)	52,884	59,994
Amount due from a shareholder	(b)	–	42,505
Amounts due from third parties	(c)	34,810	213,636
Deferred expenses		523	550
Others		7,388	6,207
		<u>95,605</u>	<u>322,892</u>
Other receivables expected to be collected or recognised as expense after more than one year		<u>(28,390)</u>	<u>(32,029)</u>
Trade and other receivables expected to be recovered or recognised as expense within one year		<u>131,208</u>	<u>370,441</u>

Notes:

- (a) The balance represents advances to the film producers for the production of drama series and films. The Group is entitled to receive fixed income at annual return rate at 10% to 15% (31 December 2022: 10% to 15%) on the investment costs of RMB4,835,000 (2022: RMB42,526,000). The remaining balances are interest free advances to the film producers for production of drama series and films.
- (b) The balance represents the consideration receivable for the disposal of subsidiaries during the year ended 31 December 2019. The Group has received RMB89,000,000 during the six months ended 30 June 2022 and the remaining balance of RMB42,505,000 during February 2023 to April 2023 from the debtor.
- (c) As at 31 December 2022, these amounts due from third parties consist of (i) other receivables of RMB119,831,000 from Swift Power Limited (“**Swift Power**”), which was previously a subsidiary of the Company prior to its disposal in 2017. The amount was arising from the funds transferred to Swift Power by the Group as working capital prior to the disposal of Swift Power; (ii) other receivables of RMB37,060,000 from Beijing Downing Street Technology Co., Limited (“**Beijing Downing Street**”), a customer of the Group, bearing interest at 8% per annum and repayable within 12 months from the end of the reporting period; (iii) other receivables of RMB30,243,000 from Ningbo Xinglin Culture Development Co., Limited (“**Ningbo Xinglin Culture**”), a film co-production partner of the Group, bearing interest at 6% per annum and repayable within 12 months from the end of the reporting period; and (iv) other receivables of RMB17,005,000 from Zhejiang Dongyang Nut Film and Television Culture Co., Limited (“**Zhejiang Dongyang**”), a supplier of the Group.

As at 30 June 2022, these amounts due from third parties consist of (i) other receivables of RMB119,831,000 from Swift Power. The amount was fully settled during January to May 2023; (ii) other receivables of RMB37,060,000 from Beijing Downing Street, bearing interest at 8% per annum and repayable within 12 months from the end of the reporting period and fully settled during January to September 2023; (iii) other receivables of RMB30,243,000 from Ningbo Xinglin Culture, bearing interest at 6% per annum and repayable within 12 months from the end of the reporting period and fully settled during January to September 2023; and (iv) other receivables of RMB17,005,000 from Zhejiang Dongyang. The amount was fully settled during January to June 2023.

10. DRAMA SERIES AND FILMS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000	
Costs of drama series and films			
– in production	22,055	63,578	
– completed production	328,706	355,895	
	350,761	419,473	
Accumulated write-downs	(242,623)	(311,623)	
	108,138	107,850	
Drama series and films – current portion	15,448	15,448	
Drama series and films – non-current portion	92,690	92,402	
	108,138	107,850	
	In production	Completed	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2022	11,266	134,873	146,139
Additions	1,338	168,695	170,033
Transfer upon production completed	(9,800)	9,800	–
Recognised in cost of sales	–	(69,652)	(69,652)
Impairment loss recognised	(1,138)	(137,532)	(138,670)
As at 31 December 2022	1,666	106,184	107,850
As at 1 January 2023	1,666	106,184	107,850
Additions	476	9	485
Recognised in cost of sales	–	(197)	(197)
As at 30 June 2023	2,142	105,996	108,138

11. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	<i>Notes</i>	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade payables			
– Within 3 months		2,472	2,690
Advances from third parties	(a)	12,274	12,796
Payables relating to drama series and films	(b)	83,203	85,458
Tax payable other than income tax	(c)	23,608	23,747
Amount due to a director	(d)	3,198	3,137
Accrued charges		947	915
Other payables		9,093	13,986
		132,323	140,039
Receipts in advance		7,666	7,951
		142,461	150,680

Notes:

- (a) As at 30 June 2023, advances from third parties of RMB10,000,000 (31 December 2022: RMB10,000,000) are unsecured, interest bearing at 10% – 11% per annum and repayable within one year. Other advances from third parties are unsecured, interest-free and had no fixed repayment terms or repayable within one year.
- (b) Payables relating to drama series and films mainly represented the monies received on behalf of the independent third parties who cooperated with the Group for production of drama series and films. The amounts are unsecured, interest-free and had no fixed repayment terms or repayable within one year.
- (c) As at 30 June 2023, tax payable other than income tax mainly represents Value-added tax of RMB19,865,000 (31 December 2022: RMB19,960,000), Urban Maintenance and Construction tax of RMB1,496,000 (31 December 2022: RMB1,505,000) and surcharge of RMB1,075,000 (31 December 2022: RMB1,081,000).
- (d) On 31 December 2020, the Group (as the borrower) and Ms. Yang Qinyan (as the lender), a director of the Company appointed on 1 June 2021, had entered into a facility agreement pursuant to which Ms. Yang agreed to lend to the Group up to RMB10,000,000 in aggregate principal amount which was unsecured, bearing interest at 4.35% per annum for the period from 1 January 2021 to 31 December 2023. As the agreement contain a repayment on demand clause, therefore the loan is classified as a current liability. During the period from 1 January 2021 to 31 May 2021, the Group received RMB4,410,000 from Ms. Yang, incurred interest expense of RMB101,000 to Ms. Yang and settled RMB1,710,000 to Ms. Yang. During the period from 1 June 2021 to 31 December 2021, the Group received RMB4,150,000 from Ms. Yang, incurred interest expense of RMB62,000 to Ms. Yang and settled RMB4,000,000 to Ms. Yang. During the year ended 31 December 2022, the Group received RMB10,000 from Ms. Yang, incurred interest expense of RMB124,000 to Ms. Yang and settled RMB10,000 to Ms. Yang. During the six months ended 30 June 2023, the Group incurred interest expense of RMB61,000 to Ms. Yang and no settlement to Ms. Yang.

The transactions contemplated under the facility agreement constituted continuing connected transactions as defined in Chapter 14A of the Main Board Listing Rules. However, these transactions are fully exempt from the disclosure requirements in Chapter 14A of the Main Board Listing Rules as the transactions were on normal commercial terms or better and no security over the assets of the Company was granted in respect of such financial assistance.

12. OTHER BORROWINGS

(a) The analysis of the carrying amount of other borrowings is as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Bonds (<i>note 12(b)(i)</i>)	40,984	41,176
Other borrowing (<i>note 12(b)(ii)</i>)	44,094	43,335
	85,078	84,511
Amounts due to be settled within one year	(85,078)	(84,511)
Amount due to be settled after one year	<u> —</u>	<u> —</u>

(b) Significant terms and repayment schedule of non-bank borrowings

(i) **2020 Bonds**

On 11 December 2020, the Company issued bonds with an aggregate face value of HK\$43,000,000 and a maturity date on 11 December 2021, which is extendable to 11 December 2022 if agreed by the Company and BeiTai Investment LP (“**BeiTai**”). The bonds bear a nominal interest rate of 8% per annum. Interest is payable in arrears on 30 June 2021 and the maturity date.

On 23 March 2021, the Company and BeiTai agreed to extend the maturity date of the bonds in the aggregate principal amount of HK\$43,000,000 to 15 February 2022. On 15 February 2022, the Company failed to settle the principal amount outstanding of RMB35,157,000 together with accrued interest of RMB3,070,000. The Group partially settled RMB3,505,000 after maturity date of the bonds. Up to the date when the consolidated financial statements were authorised for issue, the Company has been continuing its discussion with BeiTai as to the repayment plan of the bonds and the parties have not reached agreement yet.

12. OTHER BORROWINGS (Continued)

(b) Significant terms and repayment schedule of non-bank borrowings (Continued)

(ii) Other borrowing and derivative liabilities

The Group in respect of a capital increment agreement dated 24 October 2019 (which was supplemented by supplemental capital increment agreement dated 24 October 2019) entered into among the Khorgos Starrise Qicheng Media Co., Ltd (霍爾果斯星宏啟程傳媒有限公司) (the “**Target Company**”), 嘉興首建投五號投資合夥企業(有限合夥)(Jiaxing Shou Jian Tou No. 5 Investment Partnership (Limited Partnership)) (the “**Seller A**”), 北境企業管理諮詢(寧波)有限公司 (Bei Jing Corporate Management Consultation (Ningbo) Co., Ltd) (the “**Seller B**”), Beijing Starrise Media Co., Ltd. (北京星宏文化傳媒有限公司) (the “**Purchaser**”), the Company and Beijing Xinghong Culture Development Co., Ltd. (北京星宏文化發展有限公司) (the “**Guarantor**”) in relation to, among others, the capital investment into the Target Company by Seller A which the Group has determined that it has the contractual obligation to deliver cash (as the Seller A has the right to request the Group to repurchase all the shares of the Target Company held by the Seller A within certain period of time at redemption price calculated according to the terms specified in the supplemental agreement) or another financial asset to this non-controlling shareholder and accordingly the capital injection should be recognised as loan liability of the Group owed to Seller A and the option attached to the loan liability should be recognised as derivative stated at fair value.

The fair value of the derivative liability became nil upon the exercise of the option by Seller A on 1 April 2022.

The Group failed to settle the other borrowings upon maturity in November 2022. The other borrowings were subsequently renewed on 5 June 2023.

On 5 June 2023, the Company, the Purchaser, Seller A, the Target Company and the Guarantor entered into a supplemental repurchase agreement (the “**Supplemental Repurchase Agreement**”) to revise certain terms and conditions of the Repurchase Agreement A. The consideration of the Repurchase Agreement A is revised from approximately RMB43.71 million to approximately RMB47.26 million. The approximately RMB3.55 million increase in the consideration represents the delay interest (the “**Delay Interest**”) in the amount of approximately RMB4.66 million on the net capital contributed by Seller A into Target Company of RMB37.93 million (the “**Repurchase Balance**”) at the rate of 12.3% per annum for a period of 1 year from 19 November 2022 (being the due date for payment by the Group of the consideration under the Repurchase Agreement A) to 19 November 2023 (being the revised due date for payment by the Group of the consideration under the Supplemental Repurchase Agreement) minus approximately RMB1.11 million which the Purchaser has already paid.

The Purchaser shall pay (a) the amount of approximately RMB4.67 million to Seller A by 30 June 2023; (b) the monthly interest in the amount of RMB600,000 by the end of each month from July 2023; and (c) the repurchase balance of approximately RMB37.93 million and the outstanding Delay Interest in the amount of approximately RMB1.67 million on 19 November 2023.

The Purchaser settled the Delay Interest in the amount of RMB4,665,000 to Seller A on 30 June 2023. The Purchaser settled the amount of RMB1,200,000 for the Delay Interest during July to August 2023.

If the Purchaser fails to fully repay the Repurchase Balance and Delayed Interest by 19 November 2023, the Purchaser shall pay a late fee to Seller A for the overdue payment (at a daily interest rate of 0.05%) until the full amount of the overdue payment and late fees have been paid.

13. CAPITAL AND DIVIDENDS

(a) Dividends

The Group has no dividend payable to equity shareholders attributable to the interim period (2022: Nil) and no dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period (2022: Nil).

(b) Share capital

	At 30 June 2023		At 31 December 2022	
	No. of shares	RMB'000	No. of shares	RMB'000
Authorised:				
Ordinary shares of USD0.01 each	<u>10,000,000,000</u>	<u>632,110</u>	<u>10,000,000,000</u>	<u>632,110</u>
Ordinary shares, issued and fully paid:				
At 1 January 2022, 31 December 2022 and 30 June 2023	<u>2,151,577,026</u>	<u>137,801</u>	<u>2,151,577,026</u>	<u>137,801</u>

14. SHARE-BASED PAYMENTS

Share Option Scheme adopted on 20 January 2022 (the "Share Option Scheme")

As the original share option scheme had a term of ten (10) years and would expire on 25 June 2022, the board of directors proposed to (i) terminate the original share option scheme in accordance with its terms; and (ii) adopt the Share Option Scheme for the approval by the shareholders in the extraordinary general meeting on 19 January 2022. On 19 January 2022, the shareholders of the Company passed the ordinary resolutions to (i) terminate the Share Option Scheme; and (ii) adopt the Share Option Scheme. The Share Option Scheme was adopted with effect from 20 January 2022. The Share Option Scheme was adopted for a period of 10 years commencing from 20 January 2022 to 19 January 2032.

The purpose of the Share Option Scheme is to enable the Group to grant options to (a) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; and (b) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries (collectively, the "**Eligible Participants**") as incentives or rewards for their contribution to the Group, in particular: (a) to motivate them to optimise their performance and efficiency for the benefit of the Group; and (b) to attract and retain or otherwise maintain ongoing business relationships with them whose contributions are or will be beneficial to the Group.

As at 30 June 2022, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 144,440,000, representing approximately 6.71% of the shares of the Company in issue at that date.

14. SHARE-BASED PAYMENTS (Continued)

Share Option Scheme adopted on 20 January 2022 (the "Share Option Scheme") (Continued)

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue on the date of approval of the shareholders for the adoption of the Share Option Scheme (the "**Scheme Limit**"), excluding for this purpose shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the board of directors may:

- (a) renew the Scheme Limit at any time to 10% of the shares in issue (the "**New Scheme Limit**") as at the date of the approval by the shareholders of the Company in general meeting; and/or
- (b) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the board of director.

Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time (the "**Maximum Limit**"). No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

On 27 January 2022, the board resolved to grant share options to certain employees of a subsidiary of the Group under the Share Option Scheme (the "**Grantees**") to subscribe for a total of 144,440,000 ordinary shares with a nominal value of US\$0.01 each of the Company, which represent approximately 6.71% of the issued share capital of the Company on 27 January 2022.

The share options were granted to the Grantees on 27 January 2022 and all the share options were vested immediately on the date of grant.

14. SHARE-BASED PAYMENTS (Continued)

Share Option Scheme adopted on 20 January 2022 (the "Share Option Scheme") (Continued)

Details of the share options are as follows:

Date of grant	Number of share options granted	Exercisable period	Exercise price
27 January 2022	144,440,000 (Note 1)	27.1.2022 to 26.1.2024 (Note 2)	HK\$0.181 per share

Note 1: The options shall vest immediately on the date of grant.

Note 2: The options were lapsed on 30 January 2023, which was a month after the disposal of Digital Light Year Technology Co., Limited, a subsidiary of the Group.

The following table discloses movement of the Company's share options held by Grantees for the six months ended 30 June 2023:

Date of grant	Exercise price	Outstanding at 1 January 2023	Granted during the period	Exercise during the period	Forfeited during the period	Outstanding at 30 June 2023
27 January 2022	HK\$0.181	144,440,000	–	–	144,440,000	–
Exercisable at the end of the period		144,440,000	–	–	144,440,000	–
Weighted average exercise price (HK\$)		0.181	–	–	0.181	–

The fair value of the share options of total RMB5,751,000 granted during the six months ended 30 June 2022, are calculated using the binomial model. The inputs into the model were as follows:

Grant date	27 January 2022
Share price on the date of grant	HK\$0.160
Exercise price	HK\$0.181
Expected volatility	62.72%
Contractual life	2 years
Risk-free rate	0.81%
Expected dividend yield	Nil

Expected volatility was determined by using the historical price volatilities of Company's share price as at the date of valuation.

The Group had recognised a charge of RMB5,751,000 in the staff costs for the Grantee, for the six months ended 30 June 2022 in relation to share options granted by the Company.

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities that are measured at fair value on a recurring basis

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including derivatives embedded in other borrowing which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held to coincide with the reporting dates twice a year.

Fair value at 30 June 2023 RMB'000	Fair value measurements as at 30 June 2023 categorised into		
	(Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000

Recurring fair value measurements

Financial assets at fair value through
profit or loss ("FVPL")

– unlisted equity investment	1,870	–	–	1,870
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15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

(i) Fair value hierarchy (Continued)

Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into		
	(Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000

Recurring fair value measurements

Financial assets at fair value
through profit or loss

– unlisted equity investment	1,870	–	–	1,870
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During the six months ended 30 June 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Financial assets at FVPL – unlisted equity investment	Income approach	Discount rate	2% (31 December 2022: 2%)	2% (31 December 2022: 2%)

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2023 RMB'000	2022 RMB'000
Financial assets at FVPL		
– Unlisted equity investment in a fund		
At 1 January	<u>1,870</u>	<u>1,870</u>
At 30 June/31 December	<u><u>1,870</u></u>	<u><u>1,870</u></u>
	2023 RMB'000	2022 RMB'000
Derivatives embedded in other borrowing:		
At 1 January	–	2,201
Change in fair value recognised in profit or loss for the year	<u>–</u>	<u>(2,201)</u>
At 30 June/31 December	<u><u>–</u></u>	<u><u>–</u></u>
Total gains for the period/year included in profit or loss	<u><u>–</u></u>	<u><u>(2,201)</u></u>

The gain or loss arising from the change in fair value of financial assets at FVPL and the remeasurement of the derivative liability component of the convertible bonds and other borrowing are presented in “other net (loss)/income” in the consolidated statement of profit or loss

(b) Financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

16. COMMITMENTS

Capital commitments outstanding at 30 June 2023 and 31 December 2022 not provided for in the interim financial report were as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contracted for		
– Acquiring services relating to production of drama series and films	<u>35,041</u>	<u>35,491</u>

17. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Short-term employee benefits	1,843	1,912
Post-employment benefits	121	120
	<u>1,964</u>	<u>2,032</u>

(b) Transactions with related parties

The Group has entered into transactions with related parties for the six months ended 30 June 2023 as follows:

Related party	Nature of transaction	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
A director	Interest expense	<u>61</u>	<u>62</u>

17. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

As at 30 June 2023 and 31 December 2022, the Group had the following balances with related parties:

	<i>Notes</i>	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Amount due from a shareholder of the Company	<i>(i)</i>	–	42,505
Amount due to a shareholder of the Company	<i>(ii)</i>	40,984	41,176
Amount due to a director	<i>(iii)</i>	3,198	3,137

(i) The amount due from a shareholder, who held 14.31% equity interest of the Company, is included in “trade and other receivables” (note 9).

(ii) The amount due to a shareholder, who held 5.96% equity interest of the Company is included in “other borrowings” (note 12).

(iii) The amount due to a director is included in “trade and other payables” (note 11).

18. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period that need to be disclosed.