

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



Strawbear Entertainment Group
稻草熊娱乐集团

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2125)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2024

FINANCIAL HIGHLIGHTS

Revenue for the six months ended June 30, 2024 amounted to approximately RMB846.9 million, representing an increase of 83.3% from approximately RMB462.1 million for the same period in 2023.

Gross profit for the six months ended June 30, 2024 amounted to approximately RMB142.9 million, representing an increase of 72.6% from approximately RMB82.8 million for the same period in 2023.

Profit for the six months ended June 30, 2024 amounted to approximately RMB30.0 million, representing an increase of 677.6% from approximately RMB3.9 million for the same period in 2023.

Adjusted net profit* for the six months ended June 30, 2024 amounted to approximately RMB37.9 million, representing an increase of 172.4% from approximately RMB13.9 million for the same period in 2023.

Net assets as of June 30, 2024 amounted to approximately RMB1,778.2 million, representing an increase of 2.2% from approximately RMB1,739.3 million as of December 31, 2023.

The Board has resolved not to declare payment of an interim dividend for the six months ended June 30, 2024.

* *The Group defines adjusted net profit as profit for the period adjusted by adding back equity-settled share award expense incurred during the respective period.*

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended June 30, 2024 together with the comparative figures for the same period in 2023 as follows:

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

For the six months ended June 30, 2024

	<i>Notes</i>	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	5	846,947	462,097
Cost of sales		<u>(704,023)</u>	<u>(379,286)</u>
Gross profit		142,924	82,811
Other income and gains	5	3,929	11,989
Selling and distribution expenses		(22,386)	(48,761)
Administrative expenses		(39,578)	(31,239)
(Impairment)/reversal of impairment of financial assets, net		(33,075)	3,451
Other expenses		(3,690)	(190)
Finance costs		(6,807)	(7,556)
Share of profits and losses of:			
Joint ventures		63	(814)
Associates		<u>(669)</u>	<u>445</u>
PROFIT BEFORE TAX	6	40,711	10,136
Income tax expense	7	<u>(10,710)</u>	<u>(6,278)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>30,001</u>	<u>3,858</u>
Attributable to:			
Owners of the parent		29,883	1,333
Non-controlling interests		<u>118</u>	<u>2,525</u>
		<u>30,001</u>	<u>3,858</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	9	<u>4.4 cents</u>	<u>0.2 cents</u>
Diluted (RMB)	9	<u>4.4 cents</u>	<u>0.2 cents</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2024

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		5,508	4,931
Right-of-use assets		8,686	7,830
Goodwill		108,341	108,341
Other intangible assets		6	8
Investments in joint ventures		1,302	1,314
Investments in associates		20,783	21,432
Deferred tax assets		24,646	20,474
		<hr/>	<hr/>
Total non-current assets		169,272	164,330
CURRENT ASSETS			
Inventories	<i>10</i>	1,064,247	1,308,481
Trade and notes receivables	<i>11</i>	876,826	554,173
Prepayments, other receivables and other assets	<i>12</i>	313,524	328,325
Financial assets at fair value through profit or loss		20,000	11,147
Restricted cash		–	5
Pledged deposits		92,577	62,778
Cash and cash equivalents		105,437	154,389
		<hr/>	<hr/>
Total current assets		2,472,611	2,419,298
CURRENT LIABILITIES			
Trade payables	<i>13</i>	316,656	300,794
Other payables and accruals	<i>14</i>	217,001	224,421
Interest-bearing bank and other borrowings	<i>15</i>	297,784	278,663
Lease liabilities		4,318	3,614
Tax payable		2,325	2,770
Provision		3,267	–
Financial liabilities at fair value through profit or loss		16,131	–
		<hr/>	<hr/>
Total current liabilities		857,482	810,262
NET CURRENT ASSETS			
		<hr/>	<hr/>
		1,615,129	1,609,036
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		1,784,401	1,773,366

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at June 30, 2024

	<i>Notes</i>	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	–	28,000
Lease liabilities		3,503	3,321
Deferred tax liabilities		2,720	2,727
		<hr/>	<hr/>
Total non-current liabilities		6,223	34,048
		<hr/>	<hr/>
Net assets		1,778,178	1,739,318
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		115	114
Treasury shares		(33,436)	(37,375)
Reserves		1,810,569	1,775,767
		<hr/>	<hr/>
		1,777,248	1,738,506
		<hr/>	<hr/>
Non-controlling interests		930	812
		<hr/>	<hr/>
Total equity		1,778,178	1,739,318
		<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The Company is an investment holding company. The Company’s subsidiaries and Consolidated Affiliated Entities were principally involved in the production, distribution and licensing of broadcasting rights of TV/Web series (“**drama series**”).

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

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

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

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

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

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

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

Information about major customers

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Customer 1	699,241	184,275
Customer 2	N/A*	81,559
Customer 3	N/A*	53,567
Customer 4	N/A*	51,820

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<i>Revenue from contracts with customers</i>	846,947	462,097

Revenue from contracts with customers

(i) Disaggregated revenue information

Type of goods or services	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Licensing of the broadcasting rights of drama series	846,932	377,600
Made-to-order drama series production	–	84,481
Others	15	16
Total	846,947	462,097

Geographical markets

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	846,932	377,616
Services transferred over time	15	84,481
Total	<u>846,947</u>	<u>462,097</u>

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Government grants (<i>note</i>)	12	6,315
Bank interest income	1,330	1,478
Interest income from loans receivable	1,706	4,126
Others	881	70
Total	<u>3,929</u>	<u>11,989</u>

Note:

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

6. PROFIT BEFORE TAX

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

	<i>Notes</i>	For the six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Cost of inventories sold		704,023	379,286
Depreciation of property, plant and equipment		935	652
Depreciation of right-of-use assets		2,435	1,856
Amortisation of other intangible assets		2	2
Government grants	5	(12)	(6,315)
Bank interest income	5	(1,330)	(1,478)
Interest income from loans receivable	5	(1,706)	(4,126)
Lease payments not included in the measurement of lease liabilities		320	98
Foreign exchange differences, net		–	178
Auditor's remuneration		800	800
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		9,382	8,651
Equity-settled share award expense		1,886	2,744
Pension scheme contributions		1,104	745
Staff welfare expenses		355	174
Total		12,727	12,314
Share of (profits)/losses of joint ventures		(63)	814
Share of losses/(profits) of associates		669	(445)
Impairment of financial assets, net:			
Impairment of other receivables, net		9,835	–
Impairment/(reversal of impairment) of trade receivables, net		23,240	(3,451)
Total		33,075	(3,451)

7. INCOME TAX

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

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

The statutory tax rate for the subsidiary in Hong Kong is 16.5% (2023: 16.5%). No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the period.

The provision for current income tax in Chinese Mainland is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law. Certain subsidiaries of the Group are recognised as Small and Low-profit Enterprises, and the profits less than RMB3,000,000 (2023: RMB3,000,000) are entitled to a preferential tax rate of 5% (2023: 5%) during the period.

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Current – Chinese Mainland		
Charge for the period	14,889	5,447
Deferred tax	(4,179)	831
Total tax charge for the period	<u>10,710</u>	<u>6,278</u>

8. DIVIDENDS

The Board did not declare any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares for the period ended 30 June 2024 is adjusted to reflect the shares repurchased for the trustee under the restricted share unit scheme adopted by the Company in 2021 (“**2021 RSU Scheme**”) and restricted share unit scheme adopted by the Company in 2022 (“**2022 RSU Scheme**”) during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares arising from the restricted share units and the share options.

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>29,883</u>	<u>1,333</u>
	For the six months ended 30 June	
	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	683,817,921	675,595,483
Effect of dilution – weighted average number of ordinary shares:		
Restricted share units	221,085	–
Share options	<u>–</u>	<u>2,472,708</u>
Total	<u>684,039,006</u>	<u>678,068,191</u>
10. INVENTORIES		
	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Raw materials	275,167	220,144
Work in progress	554,780	682,032
Finished goods	234,300	406,305
Total	<u>1,064,247</u>	<u>1,308,481</u>

11. TRADE AND NOTES RECEIVABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade receivables	933,571	554,578
Notes receivable	7,600	40,700
	941,171	595,278
Impairment	(64,345)	(41,105)
Net carrying amount	876,826	554,173

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

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

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 3 months	558,296	139,309
3 to 6 months	91,256	176,124
6 to 12 months	117,015	128,125
1 to 2 years	51,098	37,271
2 to 3 years	51,561	32,644
Total	869,226	513,473

Included in the Group's trade and notes receivables were amounts due from the Group's related parties of RMB549,895,000 (31 December 2023: RMB208,209,000), which were repayable on credit terms similar to those offered to the major customers of the Group.

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

The Group's trade receivables with an aggregate net carrying value of approximately RMB241,436,000 (31 December 2023: RMB5,200,000), were pledged to secure the bank loans granted to the Group.

As at 30 June 2024, notes receivable of RMB7,600,000 (31 December 2023: RMB40,700,000), whose fair values approximate to their carrying values, were classified as financial assets through other comprehensive income under HKFRS 9.

As at 30 June 2024, the Group endorsed certain notes receivable accepted by banks in Chinese Mainland (the “**Endorsed Notes**”) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “**Endorsement**”) with a carrying amount in aggregate of nil (31 December 2023: RMB2,000,000). In addition, as at 30 June 2024, the Group discounted certain notes receivable accepted by certain banks in Chinese Mainland (the “**Discounted Notes**”) with a carrying amount in aggregate of RMB5,200,000 (31 December 2023: RMB8,400,000). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”).

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes and Discounted Notes accepted by large and reputable banks with an amount of nil and RMB5,200,000 (31 December 2023: RMB2,000,000 and RMB8,400,000), respectively, as at 30 June 2024 (the “**Derecognised Notes**”). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables settled by the Endorsed Notes.

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

During the period, the Group recognised the interest expense on the discounted notes receivable amounting to RMB122,000 (six months ended 30 June 2023: RMB1,602,000).

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB’000	RMB’000
Prepayments	146,256	133,611
Prepayments under the co-investment arrangements	104,815	102,730
Loans receivable	50,576	42,547
Deductible input value-added tax	15,193	16,561
Deposits and other receivables	14,106	19,945
Prepaid income tax	241	19,354
Due from a director	–	1,405
	331,187	336,153
Impairment	(17,663)	(7,828)
Total	313,524	328,325

Included in the prepayments are prepayments to the Group’s related parties of RMB3,602,000 (31 December 2023: RMB4,160,000).

13. TRADE PAYABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade payables	316,656	300,794

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

	June 30 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 3 months	169,098	97,013
3 to 6 months	18,836	61,063
6 to 12 months	88,086	99,021
1 to 2 years	22,533	33,871
2 to 3 years	11,197	7,955
Over 3 years	6,906	1,871
Total	316,656	300,794

Included in the trade payables were trade payables of RMB245,249,000 (31 December 2023: RMB225,249,000), due to the Group's related parties which were repayable within 120 days, which represented credit terms similar to those offered by the related parties to their major customers.

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

14. OTHER PAYABLES AND ACCRUALS

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Contract liabilities	190,963	215,527
Other payables	6,479	4,580
Other tax payables	18,335	2,191
Payroll and welfare payable	1,224	2,123
Total	217,001	224,421

Included in contract liabilities are advances received from the Group's related parties of RMB135,472,000 (31 December 2023: RMB189,463,000).

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	30 June 2024 (Unaudited) RMB'000
	(%)		
Current			
Bank loan – secured (<i>note (a)</i>)	3.65	2024	158,586
Bank loan – secured (<i>note (a)</i>)	3.65	2025	50,115
Bank loan – secured (<i>note (b)</i>)	3.55	2025	32,034
Bank loan – secured (<i>note (b)</i>)	3.45	2025	10,000
Bank loan – unsecured	3.65	2025	7,007
Bank loan – unsecured	3.50	2025	20,022
Bank loan – unsecured	3.55	2024	10,010
Bank loan – unsecured	3.50	2025	10,010
Total			<u>297,784</u>
	Effective interest rate	Maturity	31 December 2023 (Audited) RMB'000
	(%)		
Current			
Bank loan – secured (<i>note (c)</i>)	3.80	2024	160,562
Bank loan – secured (<i>note (c)</i>)	5.20	2024	50,000
Bank loan – secured (<i>note (d)</i>)	3.65	2024	10,006
Bank loan – secured (<i>note (d)</i>)	3.55	2024	8,042
Bank loan – unsecured	3.80	2024	10,012
Bank loan – unsecured	3.50	2024	10,012
Bank loan – unsecured	3.55	2024	10,006
Bank loan – unsecured	3.90	2024	10,011
Bank loan – unsecured	3.65	2024	10,012
Total – current			<u>278,663</u>
Non-current			
Bank loan – secured (<i>note (d)</i>)	3.55	2025	28,000
Total			<u>306,663</u>

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	297,784	278,663
In the second year	–	28,000
	<hr/>	<hr/>
Total	297,784	306,663
	<hr/>	<hr/>

Notes:

- (a) The Group's bank loans are secured by the pledge of certain of the Group's trade receivables amounting to RMB241,436,000 and short-term deposits amounting to RMB92,577,000 and are guaranteed by the Company.
- (b) The Group's bank loans are guaranteed by the subsidiaries.
- (c) The Group's bank loans were secured by the pledge of certain of the Group's trade receivables amounting to RMB5,200,000 and short-term deposits amounting to RMB62,778,000 and are guaranteed by the Company.
- (d) The Group's bank loans were guaranteed by the subsidiaries.
- (e) All borrowings are denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is a major drama series producer and distributor in the PRC. Since its inception in 2014, the Group has devoted itself to the investment, development, production and distribution of TV series and web series. In the first half of 2024, against the backdrop of ever-changing market environment of the film and television industry and the further increased efforts on cost reduction and efficiency enhancement in the industry, the Group continued to pursue “enhanced quality and efficiency” and “focusing on high-quality content” in all aspects of its operations, continuously and stably utilized platform operation model to deeply tap into the gathered high-quality resources and business innovation, provided professional commercial services to brilliant participants in all key parts of the film and television drama series production, and kept providing high-quality films and television dramas to the audience, so as to strengthen the brand influence and market competitiveness of the Group. The Group was awarded with “Inclusion China” Influential Enterprise of the Year (「融合中國」年度影響力機構) in the 2024 All-Media Information Industry Innovation Conference and “Inclusion China” Promotion Ceremony for Outstanding Radio, Film and Television Projects held in Ningbo on April 14, 2024.

In the first half of 2024, the Group has broadcast three high-quality drama series, namely *The Swimsuit Saga* (《乘風踏浪》), a contemporary entrepreneurial comedy; *In the Name of the Brother* (《哈爾濱一九四四》), a period drama series about spy war; and *Lost Identity* (《孤戰迷城》), a modern spy war drama series, all of which have achieved positive broadcasting results and received favorable market comments. Meanwhile, as of June 30, 2024, the Group also had a pipeline of drama series with a wide range of themes and genres to be broadcast and had abundant quality IP reserves to provide sufficient content guarantee for subsequent production of more quality drama series with a wide variety of themes and genres.

The stable and efficient operation of the Group is inseparably rooted in its rational and established corporate governance. In the first half of 2024, the Group continued to push forward the construction and practice of the ESG management system, kept closely monitoring the standardization of corporate governance and business operations in order to enhance the corporate governance standards of the Group, which would lay a solid systemic foundation for the healthy and sustainable development of the Group in the future.

Looking forward, the Group, by further tapping into the advantages of its platform operation model, will bring the audience more eye-catching content while continuously exploring diversified monetization pathways to realize diversification of revenue streams and facilitate the Group’s steady and sound development.

The platform operation model is becoming increasingly stable, fostering a positive closed-loop ecosystem

In the first half of 2024, the platform operation model of the Group has been continuously deepened in practice, the internal organizational structure and functional division of the middle platform have become increasingly clear and optimized, and the service capability of the “comprehensive middle platform” has been continuously enhanced. Thanks to this, various production processes in content production are efficiently connected, and the Group continues to maintain relatively stable cooperative relationships with various industry partners in the industry chain, forming a positive ecological system loop that would optimize the content creation process to ensure more efficient content production, and facilitate the achievement of synergy effect and industrialized production.

The increasingly stable operation model and ever-solidifying closed-loop ecosystem have provided sufficient momentum for the Group’s sheet reserve, and the conversion rate of its leading IPs has been improved. As of June 30, 2024, the Group had a number of drama series to be broadcast with various themes and genres, including *Love’s Rebellion*¹ (《四海重明》), a fairy tale romance drama series directed by Wen Deguang (溫德光), scripted by Fang Qiangqiang (方羌羌), and starred by Jing Tian (景甜) and Zhang Linghe (張凌赫); *Cat & Thief* (《鬥賊》), a crime comedy directed by Gong Zhaohui (龔朝輝), scripted by Li Song (李松) and Lou Kexin (婁可心), and starred by Huang Jingyu (黃景瑜) and Xiu Rui (修睿); *Breaking the Shadows* (《烏雲之上》), a realistic and mystery detective drama series directed by Hua Qing (花箏), scripted by Wang Bu (王不) and Yi Ying (一瑩), and starred by Sun Li (孫儷) and Luo Jin (羅晉); *The Trident 2* (《三叉戟2》), a police detective drama series directed by Liu Haibo (劉海波) and Cao Kai (曹凱), scripted by Shen Rong (沈嶸), Lv Zheng (呂錚) and Xiong Yuzhen (熊語真), and starred by Chen Jianbin (陳建斌), Dong Yong (董勇) and Hao Ping (郝平); *Win or Die* (《夜不收》), an ancient military drama series directed by Cao Dun (曹盾), co-scripted by Gong Xue (鞏雪), Zhao Cong (趙聰), Wang Shilong (王士龍) and Pang Sanjing (胖三井), and starred by Jing Boran (井柏然), Wu Xingjian (吳幸鍵) and Zhang Yifan (張藝凡); *Drifting Away* (《漂白》), a crime drama series directed by Cao Kai (曹凱), scripted by Chen Ping (陳枏), and starred by Guo Jingfei (郭京飛), Wang Qianyuan (王千源) and Zhao Jinmai (趙今麥); and *What a Wonderful World* (《在人間》), a metropolitan drama series directed and scripted by Xu Bing (徐兵) and starred by Zhao Liying (趙麗穎) and Yin Fang (尹昉).

¹ The translation name of the drama series *Reborn for Love* (《四海重明》) had been changed to *Love’s Rebellion* (《四海重明》).

With regard to the aforesaid drama series to be broadcast, based on changes in market consumption habits and demand for content products, the Company has made timely adjustments to its strategy for drama series and innovated “boutique and premium (小而美精品化)” for drama series such as *Breaking the Shadows* (《烏雲之上》), *Win or Die* (《夜不收》), *Drifting Away* (《漂白》) and *What a Wonderful World* (《在人間》), etc., all of which have both high quality of full-length dramas and fast pace of short dramas in terms of content narrative and audio-visual effect. Supported by its platform operation model, the Group and its partners made every effort to control the quality in each production process so as to achieve perfection, from screenplay creation to on-site filming and post-editing, striving to show the craftsmanship of the directors through limited camera language. In the future, the Group will continue to keep abreast with the market demand, leverage on its top core creative teams to create industry-leading quality dramas with an aim to deliver to the audience more premium dramas of higher quality, faster pace, stronger resonance and new storylines, take up its industry responsibilities and join hands with reputable partners in the industry to explore new development opportunities.

The quality and quantity of the core business have been improved and stabilized, always adhering to producing quality content as a long-termist

As a major drama series producer and distributor in the PRC, the Group recognizes the responsibilities of a Chinese content enterprise. The continuous delivery of premium works to the society is the foundation of the Group’s business. Therefore, the Group always adheres to its development strategy of persevering in producing quality content as a long-termist and believes that the continuous and steady production of quality content should be the goal of the Group. By diversifying the track layout, strictly controlling the quality of content products, and continuously enhancing the full lifecycle management of film and television IPs, the Group aims to produce stable and sustainable film and television series that are in line with the main theme, advocate positive values, and to be well-received by audiences, which will build up the Group’s core competitive edges. Its high quality works will serve as its moat.

In the first half of 2024, the Group continued to develop steadily and achieved the broadcast of three high-quality drama series: *The Swimsuit Saga* (《乘風踏浪》), *In the Name of the Brother* (《哈爾濱一九四四》) and *Lost Identity* (《孤戰迷城》), all of which had unprecedentedly high quality and achieved good broadcasting results. *The Swimsuit Saga* (《乘風踏浪》), a contemporary entrepreneurial comedy which narrated a story about people who make swimsuits in Xingcheng riding on the wind of reform to successfully start a business, directed by Zhang Silin (張思麟), scripted by Xu Zhengchao (徐正超), and starred by Qiao Shan (喬杉) and Yang Zishan (楊子姍), was premiered on iQiyi and Mango TV, and simultaneously broadcast on Beijing Radio & Television Station and Dragon TV via satellite on March 29, 2024. With success of the drama series, the filming location, Huludao in Liaoning province, has become a hot tourist destination. According to the Liaoning Daily (遼寧日報), Huludao was one of the top three tourist attractions in northeast China during the “May Day” holiday, achieving the goal of “igniting a city through a drama series”.

As one of the Group's premium drama series, *In the Name of the Brother* (《哈爾濱一九四四》), a period drama series about spy war, has been co-broadcast on iQiyi, Dragon TV, Jiangsu TV and Beijing Radio & Television Station since April 21, 2024, which was the first commercial drama co-broadcast on three major satellite TV channels in recent years. Directed by Zhang Li (張黎), scripted by Wang Xiaoqiang (王小槍), Liu Tianzhuang (劉天壯) and Liu Jinfei (劉勁飛), and starred by Qin Hao (秦昊) and Yang Mi (楊冪), the drama series narrates a story, against the backdrop of the eve of victory in the war of resistance, about a communist secret agent who penetrated the secret agent unit of the Harbin Police Department and had a battle of wits with the head of the unit, and how the nobodies broke through the darkness to embrace the lightness in an upheaval time and finally cleared the path to final victory of the war of resistance. *In the Name of the Brother* (《哈爾濱一九四四》) was highly anticipated by the market before broadcast and was honored with the "Most Expected Drama Series of 2024" of the Golden Pufferfish Awards (金河豚獎) at the CEIS 2024 in January 2024. The drama series even broke a number of records during the period of broadcasting, with its hits peaking at 9,350 on iQiyi, a new hits record on the first day of broadcasting on iQiyi in 2024 and the fastest hits record of exceeding 8,500 on iQiyi in 2024, ranking Top 1 of iQiyi Hits (愛奇藝熱播榜), Top 1 of iQiyi Drama Series Hits (愛奇藝電視劇熱播榜), Top 1 of iQiyi Drama Series Rising (愛奇藝電視劇飆升榜), and Top 1 of iQiyi Mystery Drama Series (愛奇藝電視劇懸疑榜).

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

As of the date of this announcement, *Love's Rebellion* (《四海重明》), a fairy tale romance drama series directed by Wen Deguang (溫德光), scripted by Fang Qiangqiang (方羌羌), and starred by Jing Tian (景甜) and Zhang Linghe (張凌赫), was broadcast on Mango TV on July 31, 2024, and was broadcast on iQiyi on August 1, 2024. The drama series has achieved good broadcasting results since it was broadcast. It has been ranked top 2 in most sought TV series (電視劇熱搜榜) on Mango TV and top 2 in most sought TV series (電視劇熱搜榜) on iQiyi, had over 250 million views on Mango TV and a hit record exceeding 7,000 on iQiyi, and ranked top 1 in most influential drama series on Weibo (微博劇集影響力熱播榜). In addition, *Love's Rebellion* (《四海重明》) has ranked top 1 on iQiyi's most sought TV series in 13 overseas countries and regions during the broadcast period, which fully reflected the popularity of the drama series among overseas audiences. It is another signature drama series with binge-worthiness of the Group's high-quality TV series going global.

Maintaining rich and diversified IP reserves, providing sufficient content guarantee

The Group believes that a good storyline is the key to the success of a drama series. The Group, therefore, always attaches great importance to the stockpiling and development of its IPs, continuously enhances the evaluation dimension and market sensitivity of its content evaluation team, and leverages on its resource advantage to search for interesting stories. Meanwhile, the Group also attaches great importance to the original IPs, continuously strengthens its capabilities in original creation as well as research and development, and cooperates with top-notch screenwriting teams at the initial stages of IP development to facilitate the development of its self-created IPs. The Group takes the quantity and quality of IP development seriously, and keeps accumulating quality IPs while optimizing its IP structure, which has laid a solid foundation for it to achieve serialized and branded operations of high-quality IPs.

As of June 30, 2024, the Group had a large number of high-quality and top-rated project reserves covering diversified segments, genres and themes, which includes *Two Capitals* (《兩京十五日》), a drama series adapted from a novel written by Ma Boyong (馬伯庸), *Seven Weapons* (《七種武器》), a drama series adapted from a novel series under the same title written by Gu Long (古龍), *Sheng Ming Yuan* (《生命緣》), a drama series scripted by Wang Xiaoqiang (王小槍), *A Nan* (《阿南》), a metropolitan emotion drama series adapted from a novel written by Twentine, *The Disfavor Daughter* (《被嫌棄的女兒》), a metropolitan drama series adapted from a novel written by Tang Jinhui (唐金輝), *Redemption on the Blade* (《刀鋒上的救贖》), a mystery drama series adapted from a novel written by Zhiwen (指紋) and a number of top and popular IPs, as well as its original serialized IPs such as *Songs to the Drinks* (《對酒歌》) and *World of the Oddballs* (《奇人世界》).

The Group believes that abundant and diversified IP reserves will enable the Group to have ample contents for its subsequent production of high-quality drama series, and to further promote the Group's content landscape with diversified segments.

In addition, apart from consistently emphasizing the quality and quantity of IP reserves, the Group continues to focus on improving the conversion rate of its high-quality IPs. Therefore, the Group keeps refining each process of the production, from IP screening, screenplay adaptation, filming, to distribution and promotion of films and television drama series, and strives to achieve coordination and collaboration of every process of the production, so as to minimize the cost and development risks from IP adaptation in the production of films and TV drama series in the later stage, and thus maximize the IP conversion rate in film and TV production.

Improve corporate governance, ensuring a sustainable, stable and healthy development in the future

Since its establishment, the Group has been strengthening its corporate governance and standardizing its operations, systematically enhancing the efficiency of its management, improving its internal control management and refining its internal control system. In addition, the Group has gradually improved its ESG management system and endeavored to carry out each ESG initiatives in accordance with the regulatory requirements and its actual situation, thereby enhancing the Group's capacity to tackle market risks and laying a foundation for its sustainable, stable and healthy development in the future.

In the first half of 2024, the Group continuously refined its organizational structure, timely adjusted its internal strategic layout in line with its development needs, and thoroughly reviewed and enhanced the cooperation mode between external resources and the Group, effectively improving the overall organizational efficiency. In addition, the Group highly values the importance of intellectual property rights and outstanding talents to the sustainable development of an enterprise, and adheres to the management philosophy of people-oriented. The Group continuously standardizes its corporate governance structure and optimizes its management process to enhance the dynamism of the Group's talents, which has made contribution to the continuous enhancement of the Group's corporate competitiveness, innovation, domination and influence.

The Group continues to refine its ESG initiatives and actively takes up its corporate social responsibilities, pursuing harmonious growth of the Group with its staff, the society and the environment in its daily operation. In the first half of 2024, the Group's ESG practices received wide attention and recognition from the market. In recognition of its outstanding performance in ESG management system, green industrial production, and social welfare activities, the Group was rewarded with "2023 ESG Pioneer Enterprise Award (2023年度 ESG先鋒企業獎)" in the 13th Philanthropy Festival and 2023 ESG Summit convened in Beijing on January 24, 2024. At the "All Blossom • ESG She Power Conference (萬物生長 • ESG她力量峰會)" held in Hangzhou on April 25, 2024, the Group was honored with two awards, namely "ESG She Power Model Organization of the Year (年度ESG她力量榜樣機構)" and "ESG She Power Female Trailblazer of the Year (年度ESG她力量女性開拓者)". At the "Hong Kong and Sustainability Contribution Awards 2024" held in Hong Kong on May 30, 2024, the Group was awarded the "ESG Connect Pioneer Star (Society – Mainland) (ESG Connect 先鋒星章(社會－內地))" for its outstanding performance in proactive management and ESG practices.

Exploring diversified monetization pathways, facilitating diversification of the revenue streams

As one of the major drama series producers and distributors in the PRC, the Group is committed to delivering quality content to the audience. For the previous years, the Group's revenue was mainly generated from the licensing fees obtained from licensing of broadcasting rights of drama series to TV channels, online video platforms and third party distributors, as well as the production fees received from production of made-to-order drama series per online video platforms' orders. The Group has been exploring diversified monetization pathways suitable for film and television production companies in order to broaden the revenue streams of the Group and promote the diversification of its revenue streams in the future.

The Group believes that the monetization pathways for film and television production companies will not be limited to the screens. Therefore, the Group continuously put its focus on offline live interactive projects produced based on quality IPs, to seek opportunities for its strategic layout related to new culture, sports, tourism and new consumption in an optimistic but cautious manner, and fully leverages on the Company's growing influence and quality industry resources brought about by its platform operation model to realize an integrated development of film and television, culture and tourism consumption driven by the content as the core through diversified business models, thereby widening the value monetization pathways with the advantages of its high-quality IPs.

Looking forward, the Group will continue to explore other ecological contents to create a second growth curve that is related to the Group's business and/or may create synergy effects, facilitating the formation of a more diversified, stable and sustainable business and revenue structure in the Group.

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

As of June 30, 2024, the Group has produced and/or distributed but yet to broadcast five TV series and four web series. The table below sets forth certain details of such drama series:

Name of Drama Series	Genre	Director(s) and Major Cast Members	Role	Production Type	Status as of June 30, 2024	Expected Broadcasting Time
TV Series						
<i>Light My Way</i> (《偷走他的心》)	Metropolitan	Wu Qiang (吳強), Ma Sichao (馬思超), Wan Peng (萬鵬)	Production and distribution	Adaptation	To be broadcast	2024
<i>The Trident 2</i> (《三叉戟2》)	Crime	Liu Haibo (劉海波), Cao Kai (曹凱), Chen Jianbin (陳建斌), Dong Yong (董勇), Hao Ping (郝平)	Production and distribution	Original	Completed and subject to censorship	2024
<i>Cat & Thief</i> (《門賊》)	Crime	Gong Zhaohui (龔朝輝), Huang Jingyu (黃景瑜), Xiu Rui (修睿)	Production and distribution	Adaptation	Completed and subject to censorship	2024
<i>Drifting Away</i> (《漂白》)	Crime	Cao Kai (曹凱), Guo Jingfei (郭京飛), Wang Qianyuan (王千源), Zhao Jinmai (趙今麥)	Production and distribution	Adaptation	Completed and subject to censorship	2024
<i>Breaking the Shadows</i> (《烏雲之上》)	Crime	Hua Qing (花箏), Sun Li (孫儷), Luo Jin (羅晉)	Production and distribution	Original	Post-production	2024
Web Series						
<i>No One but You</i> (《也許這就是愛情》)	Metropolitan	Wu Qiang (吳強), Chen Yuqi (陳鈺琪), Fang Yilun (方逸倫)	Production and distribution	Adaptation	To be broadcast	2024
<i>Love's Rebellion</i> (《四海重明》)	Period others	Wen Deguang (溫德光), Jing Tian (景甜), Zhang Linghe (張凌赫)	Production and distribution	Adaptation	Completed and subject to censorship	2024
<i>Win or Die</i> (《夜不收》)	Period military	Cao Dun (曹盾), Jing Boran (井柏然), Wu Xingjian (吳幸鍵), Zhang Yifan (張藝凡)	Production and distribution	Original	Completed and subject to censorship	2024
<i>What a Wonderful World</i> (《在人間》)	Metropolitan	Xu Bing (徐兵), Zhao Liying (趙麗穎), Yin Fang (尹昉)	Production and distribution	Original	Post-production	2024

As of June 30, 2024, the Group had several TV series/web series that had applied for public record/filed with the local counterparts of the NRTA. The table below sets forth certain details of such pipeline drama series projects:

Proposed Name for the Drama Series	Genre	Copyright Ownership	Status as of June 30, 2024	Time of Public Record
TV Series				
<i>The Wind Catcher</i> (《捕風者》)	Modern revolution	The Group	Pre-production	2023
<i>Young Again</i> (《再青春》)	Metropolitan	The Group	Pre-production	2024
Web Series				
<i>All Hands on Deck</i> (《開工日記》)	Metropolitan	The Group	Pre-production	2023
<i>Please Find Me in Your World</i> (《請在你的世界發現我》)	Metropolitan	The Group	Pre-production	2023
<i>Say Bye to Wild Weasel</i> (《再見野鼬鼠》)	Romantic fantasy	The Group	Pre-production	2023
<i>Move Heaven and Earth</i> (《赴山海》)	New-style martial art	The Group	Under filming	2023
<i>Legend of Gan Mo</i> (《甘墨傳》)	Period fantasy	The Group	Pre-production	2024
<i>The Story of South</i> (《阿南》)	Metropolitan romance	The Group	Pre-production	2024

Business Analysis by Business Line

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

In the first half of 2024, the high-quality drama series broadcast by the Group included *The Swimsuit Saga* (《乘風踏浪》), *In the Name of the Brother* (《哈爾濱一九四四》) and *Lost Identity* (《孤戰迷城》). Revenue generated from the Group's licensing of the broadcasting rights of drama series increased from RMB377.6 million for the six months ended June 30, 2023 to RMB846.9 million for the six months ended June 30, 2024, primarily attributable to the corresponding increase in revenue per drama series broadcast by the Group, which was due to the adjustments in the themes and types of broadcast drama series, an increase in investment scale and a greater popularity of drama series during the first half of 2024.

In the first half of 2024, the drama series of the Group were broadcast on domestic mainstream online video platforms and TV channels, including iQiyi, Tencent Video, Mango TV, Beijing Radio & Television Station, Dragon TV and Jiangsu TV, and had achieved good broadcasting results. As commented by the vice chairman of China Literature and Art Critics Association (中國文藝評論家協會), "*The Swimsuit Saga* (《乘風踏浪》) tells a story about China's northerners' entrepreneurship in a comedic way. This is for sure a new genre of comedy in northeast China". As *The Swimsuit Saga* (《乘風踏浪》) has become a hit, it has brought new business

opportunities to the tourism industry in Xingcheng (興城), where the filming took place. Xingcheng's revenue from tourism during the "May Day" holiday in 2024 recorded a significant year-on-year increase, which is an indication of the good broadcasting results of the drama series. Ever since its broadcast, *In the Name of the Brother* (《哈爾濱一九四四》) has received rave reviews, and was awarded with "Inclusion China" Influential TV Series of the Year (「融合中國」年度影響力電視劇) in the 2024 All-Media Information Industry Innovation Conference and "Inclusion China" Promotion Ceremony for Outstanding Radio, Film and Television Projects held in Ningbo on April 14, 2024 for its fine production and the outstanding filming crew. As of the date of this announcement, *In the Name of the Brother* (《哈爾濱一九四四》) was shortlisted into "Best Series" competition in 2024 Seoul International Drama Awards.

As of June 30, 2024, the Group has a number of high-quality and diverse drama series to be broadcast, including *Cat & Thief* (《鬥賊》), a crime comedy about a battle of wits between a detective and the "king of thieves", which is directed by Gong Zhaohui (龔朝暉), scripted by Li Song (李松) and Lou Kexin (婁可心), and starred by Huang Jingyu (黃景瑜) and Xiu Rui (修睿); *Breaking the Shadows* (《烏雲之上》), a realistic mystery drama series about a female detective of a criminal investigation team who surreptitiously and persistently traces the whereabouts of her tacit partner with whom she has worked with for years after the partner went missing, and finally unravels the mystery and solves the crimes, which is directed by Hua Qing (花箏), scripted by Wang Bu (王不) and Yi Ying (一瑩), and starred by Sun Li (孫儷) and Luo Jin (羅晉); and *What a Wonderful World* (《在人間》), a metropolitan drama series about a part-time driver who lost himself enters with an online ride-hailing passenger a "virtual space" and embark together a spiritual journey of adventures in multiple world, which is directed and scripted by Xu Bing (徐兵), and starred by Zhao Liying (趙麗穎) and Yin Fang (尹昉).

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

In the first half of 2024, no made-to-order drama series were delivered by the Group. For the six months ended June 30, 2023, the Group's revenue generated from production of made-to-order drama series amounted to approximately RMB84.5 million, while the Group did not recognise any revenue from made-to-order drama series production for the six months ended June 30, 2024 as no made-to-order drama series were delivered to customers by the Group for the six months ended June 30, 2024 and no made-to-order drama series were broadcast during the same period.

(iii) *Others*

The Group's other business primarily refers to the provision of script-based role play game services in the first half of 2024, while the Group's other business primarily includes acting as a distribution agent of TV series in the first half of 2023.

OUTLOOK

The management of the Group believes that, looking ahead, with the support of a benign ecological cycle brought about by its maturing platform operation mode, the Group will continue to take the creation of high-quality drama series as its top priority, insist on its long-term strategy of provision of quality content, ceaselessly upgrade its technology and capability for drama production, enhance the influence of single products and its brands, continue to create top-tier premium content, and keep consolidating the competitive edges of its core business of film and television drama production, in order to win the audience's hearts with good content. Meanwhile, the Group will also continue to put its focus on increasing the conversion rate of its quality IP reserves, continuously improve its capabilities in IP operation and management, place equal importance on premium original IPs and IP development, continuously optimize its IP structure and diversify the themes of its film and television dramas, so as to guarantee ample content for the creation of top-tier premium drama series and solidification of its competitive edges of its core business of film and television drama production. The Group will also further standardize and improve its corporate governance structure and organization structure, and continue to strengthen the construction and practice of its ESG management system, in order to lay a solid foundation for healthy operation of the Group as a whole.

Industry sedimentation, calm waters flow. The management of the Group firmly believes that, it is an unshakeable top priority of a content enterprise to create well-received quality drama series for the audience. In the future, the Group, during the course of carrying out various businesses, will put its focus on pursuing this top priority goal and strive to grow its core business well while actively exploring diversified monetization pathways suitable for a content enterprise, casting a long-term guarantee mechanism for the Group with high-quality works, and supporting the sustainable development of the Group with diversified industrial layout and innovative strategic planning.

INTERIM PERIOD REVIEW

Condensed Consolidated Statement of Profit or Loss

	Six months ended June 30,	
	2023	2024
	<i>(RMB in thousands)</i>	
REVENUE	462,097	846,947
Cost of sales	(379,286)	(704,023)
Gross profit	82,811	142,924
Other income and gains	11,989	3,929
Selling and distribution expenses	(48,761)	(22,386)
Administrative expenses	(31,239)	(39,578)
Reversal of impairment/(impairment) of financial assets, net	3,451	(33,075)
Other expenses	(190)	(3,690)
Finance costs	(7,556)	(6,807)
Share of profits and losses of joint ventures	(814)	63
Share of profits and losses of associates	445	(669)
PROFIT BEFORE TAX	10,136	40,711
Income tax expense	(6,278)	(10,710)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,858	30,001
Attributable to:		
Owners of the parent	1,333	29,883
Non-controlling interests	2,525	118
	3,858	30,001
NON-HKFRS MEASURE⁽¹⁾:		
Adjusted net profit ⁽²⁾	13,899	37,858

Notes:

- (1) To supplement its historical financial information which are presented in accordance with HKFRS, the Group also uses adjusted net profit as an additional financial measure, which is unaudited in nature and is not required by, or presented in accordance with HKFRS.

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

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

Revenue

The Group's revenue increased from approximately RMB462.1 million for the six months ended June 30, 2023 to approximately RMB846.9 million for the six months ended June 30, 2024, primarily attributable to the corresponding increase in revenue per drama series broadcast by the Group, which was due to the adjustments in the themes and types of broadcast drama series, an increase in investment scale and a greater popularity of drama series during the first half of 2024.

The following table sets forth the Group's revenue by business line in the first half of 2023 and 2024.

	Six months ended June 30,		Six months ended June 30,	
	2023		2024	
	Revenue	% of total	Revenue	% of total
	<i>(RMB in thousands, except percentages of revenue)</i>			
Licensing of the broadcasting rights of drama series	377,600	81.7%	846,932	100.0%
Made-to-order drama series production	84,481	18.3%	–	–
Others	16	–	15	0.0%
Total	<u>462,097</u>	<u>100.0%</u>	<u>846,947</u>	<u>100.0%</u>

Licensing of the broadcasting rights of drama series

The Group's revenue generated from licensing of broadcasting rights of drama series increased from approximately RMB377.6 million for the six months ended June 30, 2023 to approximately RMB846.9 million for the six months ended June 30, 2024, primarily due to the increase in revenue per drama series broadcast by the Group, which was due to the adjustments in the themes and types of broadcast drama series, an increase in investment scale and a greater popularity of drama series during the first half of 2024.

Made-to-order drama series production

The Group's revenue generated from production of made-to-order drama series was approximately RMB84.5 million for the six months ended June 30, 2023. For the six months ended June 30, 2024, the Group did not recognise revenue from made-to-order drama series production, which was mainly attributable to the fact that no made-to-order drama series was delivered to customers for the six months ended June 30, 2024.

Others

Others primarily comprise revenue from the provision of script-based role play game services in the first half of 2024, while others primarily comprise revenue from the distribution fee for acting as a distribution agent of TV series in the first half of 2023.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 72.6% from approximately RMB82.8 million for the six months ended June 30, 2023 to approximately RMB142.9 million for the six months ended June 30, 2024, primarily due to the adjustments in the themes and types of broadcast drama series, an increase in investment scale and a greater popularity of drama series. The Group's gross profit margin remained relatively stable at 16.9% for the six months ended June 30, 2024, as compared with 17.9% for the six months ended June 30, 2023.

The following table sets forth the Group's gross profit and gross profit margin by business line in the first half of 2023 and 2024.

	Six months ended June 30,		Six months ended June 30,	
	2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>(RMB in thousands, except gross profit margin)</i>			
Licensing of the broadcasting rights of drama series	69,103	18.3%	142,936	16.9%
Made-to-order drama series production	13,692	16.2%	–	–
Others	16	100.0%	(12)	(80.0%)
Total	<u>82,811</u>	<u>17.9%</u>	<u>142,924</u>	<u>16.9%</u>

Other Income and Gains

Other income and gains decreased by 67.2% to approximately RMB3.9 million for the six months ended June 30, 2024 from approximately RMB12.0 million for the six months ended June 30, 2023, primarily due to the decrease in government grants of approximately RMB6.3 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased to approximately RMB22.4 million for the six months ended June 30, 2024 from approximately RMB48.8 million for the six months ended June 30, 2023, resulting from a proper reduced commitment in selling and distribution according to the greater popularity of drama series broadcast.

Administrative Expenses

The Group's administrative expenses increased by 26.7% to approximately RMB39.6 million for the six months ended June 30, 2024 from approximately RMB31.2 million for the six months ended June 30, 2023, primarily due to the termination of several drama series projects based on the Group's estimate after taking into account of a number of factors such as the development of the industry, project genres, policy direction, age of prepayments, intended sales, the conversion rate of the current IP reserves and the prospects of its future operation.

Reversal of Impairment/(Impairment) of Financial Assets, Net

The Group's impairment of financial assets, net increased to a loss of approximately RMB33.1 million for the six months ended June 30, 2024 from a reversal of approximately RMB3.5 million for the six months ended June 30, 2023, primarily due to the increase in the impairment of trade receivables, net of approximately RMB26.7 million and the impairment of other receivables, net of approximately RMB9.8 million, respectively.

For further details of the impairment of financial assets, net, please refer to the Notes 6, 11 and 12 to the financial statements.

Finance Costs

The Group's finance costs decreased by 9.9% to approximately RMB6.8 million for the six months ended June 30, 2024 from approximately RMB7.6 million for the six months ended June 30, 2023, primarily due to the decrease in interest on discounted notes receivables of approximately RMB1.5 million.

Income Tax Expense

The Group's income tax expense increased by 70.6% to approximately RMB10.7 million for the six months ended June 30, 2024 from approximately RMB6.3 million for the six months ended June 30, 2023, primarily due to the increase in taxable profit made in the first half of 2024.

Non-HKFRS Measure

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

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

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

	Six months ended June 30,	
	2023	2024
	<i>(RMB in thousands)</i>	
Reconciliation of net profit to adjusted net profit		
Net profit for the period	3,858	30,001
Add:		
Equity-settled share award expense	10,041	7,857
Adjusted net profit (non-HKFRS measure)	13,899	37,858

OTHER FINANCIAL INFORMATION

Consolidated Statement of Financial Position (Selected Items)

	As of	As of
	December 31,	June 30,
	2023	2024
	<i>(RMB in thousands)</i>	
Total non-current assets	164,330	169,272
Total current assets	2,419,298	2,472,611
Total current liabilities	810,262	857,482
Net current assets	1,609,036	1,615,129
Total non-current liabilities	34,048	6,223
Total equity	1,739,318	1,778,178

Inventories

	As of December 31, 2023 <i>(RMB in thousands)</i>	As of June 30, 2024
Raw materials	220,144	275,167
Work in progress	682,032	554,780
Finished goods	406,305	234,300
Total	<u>1,308,481</u>	<u>1,064,247</u>

The Group's inventories decreased by 18.7% to approximately RMB1,064.2 million as of June 30, 2024 from approximately RMB1,308.5 million as of December 31, 2023, primarily due to (i) the decrease in finished goods of approximately RMB172.0 million since the Group broadcast several drama series in the first half of 2024, such as *The Swimsuit Saga* (《乘風踏浪》) and *Lost Identity* (《孤戰迷城》); (ii) the decrease in work in progress of approximately RMB127.3 million as the Group completed production of its drama series *In the Name of the Brother* (《哈爾濱一九四四》), which were broadcast in the first half of 2024; and partially offset by (iii) the increase in raw materials of RMB55.0 million as the Group acquired more premium IPs in the first half of 2024.

Goodwill

The Group's goodwill was approximately RMB108.3 million as of June 30, 2024 and December 31, 2023.

CAPITAL STRUCTURE, LIQUIDITY AND CAPITAL RESOURCES

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

As at June 30, 2024, the Company had 706,041,400 ordinary shares of US\$0.000025 each.

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

The Company maintained a healthy financial position in the first half of 2024. The Group's total assets increased from approximately RMB2,583.6 million as of December 31, 2023 to approximately RMB2,641.9 million as of June 30, 2024, and the Group's total liabilities increased from approximately RMB844.3 million as of December 31, 2023 to approximately RMB863.7 million as of June 30, 2024. The Group's liabilities-to-assets ratio remained unchanged at 32.7% as of both June 30, 2024 and December 31, 2023.

Historically, the Group financed its capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings and capital contributions from Shareholders. As of June 30, 2024, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounted to approximately RMB1,615.1 million and approximately RMB105.4 million, respectively, as compared to approximately RMB1,609.0 million and approximately RMB154.4 million, respectively, as of December 31, 2023.

As of June 30, 2024, all of the cash and cash equivalents of the Group were denominated in RMB, HK\$ and US\$.

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

As of June 30, 2024, the Group's total interest-bearing bank and other borrowings were approximately RMB297.8 million, all of which were at fixed interest rate and denominated in RMB.

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

Contingent Liabilities

As of June 30, 2024, the Group did not have any significant contingent liabilities.

Capital Expenditure

The Group's capital expenditures primarily included purchase of property, plant and equipment. The Group's capital expenditures increased to approximately RMB1.7 million in the first half of 2024 from approximately RMB0.1 million in the first half of 2023. The Group plans to fund its planned capital expenditures using cash generated from operations.

Financial Ratio

Current Ratio

The Group's current ratio decreased from 2.99 as of December 31, 2023 to 2.88 as of June 30, 2024, primarily attributable to the increase in its current liabilities outpaced the increase in its current assets from 2023 to the first half of 2024.

*Debt to Equity Ratio*¹

The Group's debt to equity ratio was 12.3% as of June 30, 2024 and 9.2% as of December 31, 2023.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2024. As of June 30, 2024, the Group did not hold any significant investments and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as of June 30, 2024.

PLEDGE OF ASSETS

As of June 30, 2024, the Group's trade receivables with an aggregate net carrying value of approximately RMB241,436,000 (December 31, 2023: RMB5,200,000) and the pledged deposits amounting to RMB92,577,000 (December 31, 2023: RMB62,778,000) were pledged to secure the interest-bearing bank and other borrowings granted to the Group.

FINANCIAL RISKS

Credit Risk

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

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

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

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

¹ Debt to equity ratio is calculated based on net debt (of which net debt is defined as interest-bearing bank and other borrowings, lease liabilities, provision and financial liabilities at fair value through profit or loss deduct cash and cash equivalents) divided by total equity as of the relevant dates multiplied by 100%.

Liquidity Risk

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2024.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2024, the Group had 70 employees, including 24 based in Jiangsu Province, 33 based in Beijing, 2 based in Shanghai, 5 based in Zhejiang Province and 6 based in Hainan Province. The following table shows a breakdown of the employees by function as of June 30, 2024:

Functions	Number of Employees	% of Total Employees
Management	2	2.9%
Development Strategic Management	6	8.6%
Operation and Project Coordination	9	12.9%
Production	3	4.3%
IP Development	2	2.9%
Business Operation	3	4.3%
Production Management	5	7.1%
Financing and Investment	1	1.4%
Distribution	4	5.7%
Casting and Talents Management	2	2.9%
Marketing and Promotion	5	7.1%
Government Affairs	1	1.4%
Finance and Legal	14	20.0%
Corporate Compliance	2	2.9%
Human Resources and Administrative	10	14.3%
Overseas Development	1	1.4%
Total	70	100.0%⁽¹⁾

Note:

(1) The aggregate percentage may not add up to the total percentage of 100% due to rounding.

For the six months ended June 30, 2024, total staff remuneration expenses (including Directors' remuneration) amounted to approximately RMB20.5 million, as compared to approximately RMB21.9 million for the same period in 2023. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions made by the Group, performance-based compensation, discretionary bonus, RSUs granted to selected employees and supplemental medical insurances. The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

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

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

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. The net proceeds from the global offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the global offering, amounted to approximately HK\$1,071.1 million (the “**Net Proceeds**”).

On September 15, 2021, the Board has resolved to re-allocate part of the unutilised Net Proceeds of approximately HK\$635.7 million (approximately 59.4% of the Net Proceeds), of which (i) HK\$528.6 million originally intended to be used for funding the production of *Hello Baby* (《你好寶貝》), *My Mr. Cat* (《我的貓先生》), *Steal His Heart* (《偷走他的心》), *The Wind Catcher* (《捕風者》) and *Two Capitals* (《兩京十五日》) (the “**Original Drama Series**”) was re-allocated to fund the production of *Cat & Thief* (《鬥賊》), *Legend Of Bikini* (《乘風踏浪》), *Never Too Late* (《我的助理六十歲》) and *Thousand Years For You* (《請君》) (the “**New Drama Series**”); and (ii) HK\$107.1 million originally intended to be used for acquiring one premium copyright company which focuses on investment, development, production and distribution of web series was re-allocated to acquire more premium IPs. Considering that (i) the Original Drama Series whose production was originally intended to be funded with Net Proceeds were in the early development or preparation stage, and necessary conditions required for production have not been met; and (ii) the Group has obtained a number of premium and mature projects with necessary conditions required for production having been met in the first half of 2021, the Net Proceeds originally intended to be used for the production of the Original Drama Series were re-allocated to the production of the New Drama Series then under production, so as to enhance the efficiency and effectiveness of the use of the Net Proceeds. In addition, as (i) no suitable acquisition target of premium copyright company has been found due to the combined effect of changes in the market structure and significant differences in the understanding of the value of the potential acquisition target, (ii) instead of acquisition of one highly valued copyright company, the Board believes that acquisition of premium IPs directly from a variety of sources to maintain an adequate level of IP reserves would be much more efficient and could facilitate efficiency in the use of the Group’s funds due to the rapid and unforeseen changes in the market and industry environment since the Listing, and (iii) the current sources of premium IPs are more diversified and that the continuous acquisition of more IPs is the basis for the stable growth of the Group, the Group re-allocated part of the Net Proceeds originally planned to be used for acquiring one premium copyright company which focuses on investment, development, production and distribution of web series to acquiring more premium IPs suitable for the development and production by the Group to guarantee the stable growth of drama series production and distribution, which will also satisfy the demand for premium IPs of the Group in a more flexible way. For details, please refer to the announcement of the Company dated September 15, 2021 (the “**Announcement**”).

The following table sets out (i) the original allocation of Net Proceeds as set out in the Prospectus; (ii) the revised allocation of the unutilised Net Proceeds as set out in the Announcement; (iii) the utilised amount of Net Proceeds during the six months ended June 30, 2024; (iv) the utilised and unutilised amount of Net Proceeds as of June 30, 2024; and (v) the latest expected timeline for utilisation.

	Net proceeds from the global offering and utilisation					Expected timeline for utilisation ⁽¹⁾
	Original allocation of Net Proceeds HK\$ in million	Revised allocation of Net Proceeds HK\$ in million	Utilised amount of Net Proceeds during the six months ended June 30, 2024 HK\$ in million	Utilised amount of Net Proceeds as of June 30, 2024 HK\$ in million	Unutilised amount of Net Proceeds as of June 30, 2024 HK\$ in million	
Funding the drama series production of the Group	749.8	749.8	–	749.8	–	
Funding potential investment in, or merger and acquisition of, companies that may enhance the Group's market position and ramp up the Group's drama series development, production and distribution	107.1	107.1	–	–	107.1	By the end of 2025
Securing more IPs to guarantee the stable growth of the Group's drama series production and distribution by acquiring one premium copyright company which focuses on investment, development, production and distribution of web series	107.1	–	–	–	–	–
Acquiring more premium IPs to guarantee the stable growth of the Group's drama series production and distribution	–	107.1	–	107.1	–	–
Working capital and general corporate purposes	107.1	107.1	–	107.1	–	–
Total	1,071.1	1,071.1	–	964.0	107.1	

Note:

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

As of June 30, 2024, the Group has utilised Net Proceeds of HK\$964.0 million in accordance with the intended purposes set out in the Prospectus and the Announcement. The remaining Net Proceeds were deposited in banks as of the date of this announcement. The Group will gradually utilise the remaining Net Proceeds in accordance with the intended purposes set out in the Prospectus and the Announcement.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

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

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions as set out in Part 2 of Appendix C1 to the Listing Rules as its own code of corporate governance.

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

Pursuant to code provision C.2.1 in the CG Code as set out in Part 2 of Appendix C1 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Liu is currently serving as the Chairman as well as the chief executive officer of the Company. As Mr. Liu is the founder of the Group and has been managing the Group’s business and overall strategic planning since its establishment, the Directors consider that vesting the roles of chairman and chief executive officer in Mr. Liu is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group. Taking into account all the corporate governance measures that the Group implemented, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company had not segregated the roles of its Chairman and chief executive officer. The Board will continue to review and consider splitting the roles of Chairman and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares ("treasury shares" shall have the meaning given to it in the Listing Rules)) during the Reporting Period. The Company did not hold any treasury shares as of June 30, 2024.

MATERIAL LITIGATION

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

AUDIT COMMITTEE

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

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has, together with the management the Company, reviewed the accounting principles and policies adopted by the Group and the unaudited interim condensed consolidated financial statements of the Group for the six months ended June 30, 2024, and has recommended for the Board's approval thereof. The unaudited interim condensed consolidated financial statements of the Group for the six months ended June 30, 2024 has not been reviewed by the external auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event that might affect the Group occurred after the Reporting Period.

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

This interim results announcement is published on “HKEXnews” of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.strawbearentertainment.com). The interim report for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be published on the respective websites of “HKEXnews” of the Stock Exchange and the Company in due course.

APPRECIATION

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

DEFINITIONS AND GLOSSARIES

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

“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“broadcasting rights”	refers to (i) the right of broadcasting (廣播權), in terms of drama series broadcast via TV channels; and (ii) the right to network dissemination of information (信息網絡傳播權), in terms of drama series and films broadcast via online video platforms, for the purpose of this announcement
“CG Code”	the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules
“Chairman”	the Chairman of the Board
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to “China” and the “PRC” do not apply to Taiwan Province, Hong Kong and the Macau Special Administrative Region of the People’s Republic of China

“Company” or “the Company”	Strawbear Entertainment Group (稻草熊娱乐集团), an exempted company with limited liability incorporated under the laws of Cayman Islands on January 3, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Consolidated Affiliated Entities”	the entities the Company controls through the Contractual Arrangements, namely Jiangsu Strawbear and its subsidiaries, further details of which are set out in “Contractual Arrangements” in the Prospectus
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Nanjing Strawbear, Jiangsu Strawbear and its registered shareholders, details of which are described in “Contractual Arrangements” in the Prospectus
“Director(s)”	director(s) of the Company
“drama series”	refers to the content produced for broadcast via TV channels or the internet, which is usually released in episodes that follow a narrative, consisting of TV series and web series
“Group” or “the Group”	the Company, its subsidiaries and Consolidated Affiliated Entities at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IP(s)”	refers to intellectual properties such as existing films, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new drama series or films

“iQiyi”	iQiyi (愛奇藝), a leading online video platform based in Beijing
“Jiangsu Strawbear”	Jiangsu Strawbear Film Co., Ltd. (江蘇稻草熊影業有限公司), a limited liability company established in the PRC on June 13, 2014 and indirectly controlled by the Company through the Contractual Arrangements
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on January 15, 2021
“Listing Date”	the date, namely January 15, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Mr. Liu”	Mr. Liu Xiaofeng (劉小楓), Chairman, an executive Director, the chief executive officer of the Company, one of the Group’s controlling shareholders and one of the registered shareholders of Jiangsu Strawbear
“Nanjing Strawbear”	Nanjing Strawbear Business Consulting Co., Ltd. (南京稻草熊商務諮詢有限公司), a limited liability company established in the PRC on September 17, 2018 and an indirectly wholly-owned subsidiary of the Company
“NRTA”	National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), the successor of the State Administration of Press, Publication, Radio, Film, and Television of the PRC (中華人民共和國國家新聞出版廣電總局)
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme approved and adopted by the Company on May 11, 2020, the principal terms of which are summarised in “Appendix IV – Statutory and General Information – D. Other Information – (1) Pre-IPO Share Option Scheme” in the Prospectus

“Prospectus”	the prospectus of the Company published on December 31, 2020
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the six-month period from January 1, 2024 to June 30, 2024
“RMB” or “Renminbi”	the lawful currency of the PRC
“RSU(s)”	restricted share unit(s) granted under the RSU Schemes, each of which represents one underlying Share, and represent a conditional right granted to any Selected Participant under the RSU Schemes to obtain the corresponding economic value of the underlying Shares, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion
“RSU Scheme(s)”	(i) the restricted share unit scheme adopted by the Company on September 15, 2021, as amended from time to time, and/or (ii) the 2022 restricted share unit scheme adopted by the Company on April 28, 2022, as amended from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.000025 each
“Shareholder(s)”	holder(s) of the Shares
“TV”	television
“TV series”	a series of scripted episodes that needs to obtain a distribution license from NRTA, which are broadcast on TV channels and/or new media channels such as online video platforms

“US\$” United States dollars, the lawful currency for the time being of the United States

“web series” a series of scripted episodes which can only be broadcast on new media channels such as online video platforms

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

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

Nanjing, PRC, August 26, 2024

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