



a metaverse company

A Metaverse Company

一元宇宙公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1616)



2024
INTERIM REPORT

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SUMMARY

For the six months ended 30 June 2024 (the “**Period Under Review**”):

- Revenue was approximately RMB0.4 million, representing a decrease of approximately 81.0% as compared to approximately RMB2.1 million recorded for the corresponding period of last year.
- Gross profit was approximately RMB0.3 million, representing a decrease of approximately RMB1.1 million, or approximately 78.6% as compared to that of the corresponding period of last year.
- Gross profit margin was approximately 91.0%, representing an increase of approximately 25.7 percentage points as compared to approximately 65.3% recorded for the corresponding period of last year.
- Loss attributable to the equity shareholders of the Company was approximately RMB8.4 million, representing an increase of approximately RMB8.0 million as compared to the loss attributable to the equity shareholders of the Company of approximately RMB0.4 million for the corresponding period of last year.

CORPORATE INFORMATION

THE BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. LAM Kai Yeung
 Mr. KWOK Pak Shing
 Ms. LIU Chen Hong (resigned on 18 April 2024)

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. LIU Dong
 Ms. CHAN Yin Wah

AUDIT COMMITTEE

Mr. LAM Kai Yeung (*Chairman*)
 Mr. KWOK Pak Shing

REMUNERATION COMMITTEE

Mr. KWOK Pak Shing (*Chairman*)
 Mr. LIU Dong
 Mr. LAM Kai Yeung (appointed on 18 April 2024)
 Ms. LIU Chen Hong (resigned on 18 April 2024)

NOMINATION COMMITTEE

Mr. LAM Kai Yeung (*Chairman*) (appointed on 18 April 2024)
 Mr. LIU Dong
 Mr. KWOK Pak Shing
 Ms. LIU Chen Hong (*Chairman*) (resigned on 18 April 2024)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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 Grand Cayman, KY1-1104
 Cayman Islands

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 Chaoyang District, Beijing
 The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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 No. 248 Queen's Road East
 Wanchai, Hong Kong

LEGAL ADVISER TO THE COMPANY (HONG KONG LAW)

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

AUDITOR

Moore CPA Limited
 Certified Public Accountants and Registered Public
 Interest Entity Auditor
 801–806 Silvercord, Tower 1
 30 Canton Road
 Tsim Sha Tsui, Kowloon
 Hong Kong

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

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

**CAYMAN ISLANDS SHARE REGISTRAR
AND TRANSFER OFFICE**

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

PRINCIPAL BANKER

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

STOCK CODE

1616

COMPANY'S WEBSITE ADDRESS

<http://www.starrise.cn>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2024, under the global turbulence and change, the world confronted unstable, uncertain and unpredictable factors such as geopolitical tensions, trade fragmentation and frequent climate disasters, leading to a deceleration in economic growth. According to the information released by the National Bureau of Statistics, China's gross domestic product ("GDP") in the first half of 2024 amounted to RMB61,683.6 billion, representing a year-on-year growth of 5.0% at constant prices, demonstrating overall stability with progress. On a quarterly basis, GDP expanded by 5.3% year-on-year in the first quarter and by 4.7% in the second quarter. Against the backdrop of the current complicated external environment, although China's economic growth rate is still one of the highest among the world's major economies, domestic demand is weak and the growth rate of investment and consumption is slowing down. According to a report released by the Bank of China Research Institute, China's total retail sales of consumer goods increased by 4.1% year-on-year from January to May 2024, representing a decrease of 5.2 percentage points as compared with the same period of the previous year, while investment in fixed assets increased by 4% year-on-year, maintaining the same level from the same period of the previous year, with the growth rate for each of both dropping by 0.6 and 0.5 percentage point as compared to the first quarter of 2024, respectively.

According to maoyan.com, the box office of China's film market in the first half of 2024 was approximately RMB23.895 billion, representing a decrease of approximately RMB2.366 billion as compared to the same period last year or a decrease of 9% year-on-year, which was more than RMB2 billion lower than the box office in 2021 and 2023, both of which were affected by the COVID-19; the number of moviegoers in this period was approximately 550 million, representing a decrease of 54 million as compared to that of the same period last year. According to a report by Top Consulting, the average number of visits to movie theaters in China's film market in the first half of 2024 was 7.73, representing a decrease of 19.8% year-on-year, while the attendance rate was 6.3%, down by 18.8% year-on-year, and both of which only reached 60% of the 2019 level. Despite the decline in box office performance, the supply of films to the market remained stable and basically restored to the pre-COVID-19 level. According to a report by Top Consulting, 237 new films were released in the first half of 2024, a slight decrease of six compared to last year, which remained basically stable.

In respect of the drama business, according to the information released by the State Administration of Radio, Film and Television ("SARFT"), the number of TV dramas filed in the first half of 2024 was 320, representing a significant increase compared to 234 for the same period last year, and the drama market has shown a clear momentum of recovery. According to Dengta data, the number of active dramas broadcasted in the first half of 2024 totaled 149, with a decrease of 12 from 161 in the same period last year, while cumulative positive airings increased by 35.1%. This trend demonstrated the steady development of the drama market in terms of "decreasing quantity and increasing quality", and signals that the domestic drama market is moving towards a more diversified and refined future. At the same time, the development of micro-dramas has also entered a new stage of quality improvement and upgrading. In January 2024, SARFT issued the "Notice on Launching the Creative Program of 'Traveling with Micro-Dramas'", which proposed that 100 excellent micro-dramas on the theme of 'Traveling with Micro-Dramas' would be created and broadcasted in 2024, on the one hand, to give full play to the advantages of micro-dramas in communication to form a number of new models of "micro-drama + culture and tourism" fusion on promotion of consumption that can be replicated and promoted, and on the other hand, to promote the creation of micro-dramas towards the direction of standardization and refinement. On 1 June 2024, SARFT formally implemented new regulations on the management of micro-dramas, which called for the implementation of the responsibilities of industry supervision, local management, and platforms, as well as the implementation of "classified and stratified examination" of micro-dramas.

BUSINESS REVIEW

For the six months ended 30 June 2024, the loss before taxation of A Metaverse Company (the “**Company**”) together with its subsidiaries (collectively the “**Group**”) amounted to approximately RMB8.4 million, representing an increase of loss of approximately RMB8.0 million as compared to the loss before taxation of approximately RMB0.4 million for the same period of previous year. This was mainly due to the fact that the film and television projects invested by the Group were not released to realise revenue in the first half of 2024.

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

Among the films and TV series invested or produced by Beijing Young Scene Culture Media Co., Ltd. (北京影心文化傳媒有限公司) (“**Beijing Young Scene**”, a wholly-owned subsidiary of the Group), the animated film “GO! REX” (你好·霸王龍) is currently at the stage of preparation for release; the internet movie “The Iron Bone and Steel Fist” (鐵骨鋼拳) was selected into the Youth Innovation Programme (青創計劃) of iQIYI and is under preparation; the internet dramas “Bulletproof Teacher” (穿越火線：防彈教師), “Limited Romance” (限定浪漫), “Through the Storm” (玉骨瓷心) (formerly known as “Shiny Days” (雨過天晴雲開處)) and an internet movie “The Iron Trophy” (鐵甲雄風), all of which are valuable IP projects of Beijing Young Scene, have completed the stage of script writing and are at the stage of early investment and development.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the revenue, gross profit and gross profit margin of the Group’s media business for the six months ended 30 June 2024 and 2023, respectively:

	For the six months ended 30 June					
	2024			2023		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB’000	RMB’000	%	RMB’000	RMB’000	%
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Media business	355	323	91.0%	2,134	1,393	65.3%

For the six months ended 30 June 2024, revenue from the Group's film and TV business continuously decreased by approximately 81.0% as compared to the corresponding period of last year. The Group's gross profit margin increased by approximately 25.7 percentage points from approximately 65.3% in the same period of last year to approximately 91.0% for the six months ended 30 June 2024. This was mainly due to the fact that the film and television projects in which the Group has invested were not released in the first half of 2024 and thus did not generate revenue. The revenue of RMB0.3 million realised was income from the transfer of copyrights for film and television dramas, the costs of which had been accounted for in previous periods. As a result, there were no corresponding costs associated with such revenue for the Period Under Review.

Distribution costs

For the six months ended 30 June 2024, the distribution costs of the Group were approximately RMB2.1 million, which was basically flat as compared to approximately RMB2.2 million for the corresponding period of last year.

Administrative expenses

For the six months ended 30 June 2024, the administrative expenses of the Group decreased to approximately RMB5.9 million, representing a decrease of approximately 24.4% as compared to that of approximately RMB7.8 million for the corresponding period of last year. This was mainly due to the inclusion for the same period last year of the expenses of Beijing Huasheng Taitong Media Investment Co., Ltd. (北京華晟泰通傳媒投資有限公司), Beijing Starwise Culture Media Co., Ltd. (北京睿博星辰文化傳媒有限公司), Beijing Yongming Pictures Co., Ltd. (北京勇明影視文化有限公司) and Beijing Starrise Han Cultural Development Co., Ltd. (北京漢星瑾宏文化發展有限公司), which were disposed of in the second half of 2023.

Other income, gains or losses, net

For the six months ended 30 June 2024, other income, gains or losses, net of the Group mainly comprised the gains from disposal of a subsidiary of approximately RMB4.4 million.

For the six months ended 30 June 2024, the total amount of other income, gains or losses, net of the Group was approximately RMB2.1 million, increased by approximately RMB3.8 million as compared to that of other net loss of approximately RMB1.7 million for the corresponding period of last year.

Reversal of impairment losses on trade and other receivables

During the six months ended 30 June 2024, the Group recovered trade and other receivables that had been impaired in previous years and reversed impairment losses of approximately RMB5.1 million recorded in previous years.

Net finance costs

For the six months ended 30 June 2024, the Group recorded net finance costs of approximately RMB8.0 million, increased by approximately RMB3.1 million as compared to the net finance costs of approximately RMB4.9 million during the corresponding period in 2023. Such increase was mainly due to the provision for defaults on certain borrowings.

Taxation

For the six months ended 30 June 2024, no tax was incurred (for the six months ended 30 June 2023: Nil).

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

For the six months ended 30 June 2024, the loss attributable to the equity shareholders of the Company was approximately RMB8.4 million (for the six months ended 30 June 2023: approximately RMB0.4 million). The increase in loss was mainly due to the decrease in revenue and gross profit.

Liquidity and financial resources

As at 30 June 2024, cash and cash equivalents of the Group were approximately RMB15.8 million, representing a decrease of approximately 93.3% from approximately RMB236.7 million as at 31 December 2023. This was mainly due to the utilization of cash to invest in new film and television projects.

For the six months ended 30 June 2024, the Group's net cash used in operating activities was approximately RMB215.4 million, net cash generated from investing activities was approximately RMB0.3 million and net cash used in financing activities was approximately RMB5.8 million. With the Group's cost control measures and contingency measures implemented to mitigate the undesirable impact of the COVID-19 pandemic, the board (the "**Board**") of directors (the "**Director(s)**") of the Company believes that the Group will be able to maintain a sound and stable financial position, and maintain sufficient liquidity and financial resources for its business need.

For customers who have long-established business relationship, good settlement record and sound reputation, the Group may consider granting a credit period on a case-to-case basis. The credit period typically ranges from 30 to 180 days, in order to maintain the sufficient cash flow and competitiveness within the industry. The length of credit period depends on various factors such as financial strength, scale of the business and settlement record of those customers. For the six months ended 30 June 2024, the average trade receivables (including bills receivable) turnover days of the Group was approximately 5,454 days, decreased significantly from 12,275 days recorded during the corresponding period in the previous year. This was mainly due to the Group's enhanced collection of receivables.

For the six months ended 30 June 2024, drama series and films turnover days of the Group increased to 548,116 days from 53,210 days for the corresponding period in 2023, which was mainly due to the decrease in sales of the Group's drama series and films as compared to the same period last year, with a significant decrease in the Group's revenue and cost of sales as compared to the same period last year and the increase in the average balance of the drama series and films. These turnover days were also heavily influenced by the overall industry environment.

As at 30 June 2024, the Group's bank borrowings, bonds, other borrowings and lease liabilities were approximately RMB89.6 million (31 December 2023: approximately RMB87.1 million), which bore fixed interest at rates ranging from 4.75% to 12.3% per annum (31 December 2023: 4.75% to 12.3%) and overdue interest at 0.05% per day (31 December 2023: 0.05% per day). As at 30 June 2024, the Group did not have any loans with floating interest (31 December 2023: Nil).

Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an optimal capital structure to reduce capital cost. As at 30 June 2024, the debts of the Group mainly consisted of bonds, other borrowings and lease liabilities with a total amount of approximately RMB89.6 million (31 December 2023: approximately RMB87.1 million). As at 30 June 2024, cash and cash equivalents were approximately RMB15.8 million (31 December 2023: approximately RMB236.7 million). As at 30 June 2024, the Group's gearing ratio was approximately 37.9% (31 December 2023: gearing ratio was approximately 73.7%). The gearing ratio was calculated by dividing total debt (i.e. bonds, other borrowings and lease liabilities, after deducting cash and cash equivalents) by total equity.

As at 30 June 2024, the Group's debts due within a year were approximately RMB89.2 million (31 December 2023: approximately RMB86.8 million).

Capital commitments

The Group did not have any other significant capital commitments as at 30 June 2024 (31 December 2023: Nil).

Employee and remuneration policy

As at 30 June 2024, the Group had a total of 19 employees (31 December 2023: 48).

For the six months ended 30 June 2024, staff costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB3.5 million (for the six months ended 30 June 2023: approximately RMB5.4 million). The decrease in staff costs during the Period Under Review was mainly due to the inclusion for the same period last year of the staff costs of Beijing Huasheng Taitong Media Investment Co., Ltd. (北京華晟泰通傳媒投資有限公司), Beijing Starwise Culture Media Co., Ltd. (北京睿博星辰文化傳媒有限公司), Beijing Yongming Pictures Co., Ltd. (北京勇明影視文化有限公司) and Beijing Starrise Han Cultural Development Co., Ltd. (北京漢星瑾宏文化發展有限公司), which were disposed of in the second half of 2023.

The Group is committed to enhancing its employees's operational skills through ongoing training initiatives. Additionally, the Group enhanced the work efficiency of the employees through position consolidation, process reorganization and improvement of working and living environment of its employees. The remuneration of the employees of the Group was determined with reference to their working performance, experience and the industry practices. The management of the Group will also periodically review the Group's remuneration policy to ensure its alignment with the Company's goals and industry practices.

Exposure to foreign exchange risk and relative hedge

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

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

Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2024 (31 December 2023: Nil).

Charges on assets

The Group did not have any machinery and equipment pledged to banks as securities for the bank loans as at 30 June 2024 (31 December 2023: Nil).

Significant investments

As at 30 June 2024, the Group did not hold any significant investments in equity interest in any other company (31 December 2023: Nil).

Future plans for material investments and capital assets

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

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

On 20 June 2024, Beijing Starrise Cultural Development Co., Ltd (北京星宏文化發展有限公司) (the “**Vendor**”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Chongqing Zhiyuan Film & Television Culture Media Co., Ltd. (重慶致遠影視文化傳媒有限公司) (the “**Purchaser A**”), an independent third party of the Group, pursuant to which the Vendor agreed to sell and Purchaser A agreed to acquire 100% equity interest in Ningbo Yuanning Media Co., Ltd. (寧波原寧文化傳媒有限公司) for a consideration of RMB100,000 (the “**Disposal**”). The consideration was received during the six months ended 30 June 2024. The Disposal was completed on 25 June 2024. Please also refer to note 14 to the consolidated financial statement of this report for details.

OUTLOOK

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

At present, the Group is progressing with its various preparatory plans and filming work in an orderly manner. The future production plans of the Group are set out below:

No.	Name	Genre	(Planned) Shooting commencement date	Status
1	Once Upon A Time In The Northeast (東北往事)	Youth nostalgic film	In March 2017	Submitted for screening
2	Brave Girls (哈嘍·馬大玲) (formerly known as Twin Blades (尖鋒姐妹) and Li Xiaolong and Programmer Girl (曆小龍與程序媛))	Theatrical film	In May 2019	Submitted for screening
3	Night Screaming (一夜驚笑) (formerly known as "Scream" (驚聲尖笑), "Horror Blockbuster" (恐不大大片))	Internet mini-drama	In November 2017	Waiting for premiering
4	Legend of Taotie (饕餮記)	Internet dramas	In October 2018	At the release stage
5	GO! REX (你好·霸王龍)	Animated film	In May 2017	Preparing for release
6	Tiger Wolf Road (虎狼之路)	Theatrical film	–	In post-production
7	The Iron Bone and Steel Fist (鐵骨鋼拳)	Internet movie	To be determined	Preparing for filming
8	Emergency Rescuing (心跳營救)	Internet movie	To be determined	Preparing for filming
9	King of the Sniper (狙擊之王)	Internet movie	To be determined	Preparing for filming
10	Tianta Crisis (天塔危機)	Theatrical film	To be determined	Preparing for filming
11	New Tong Pak Foo Dim Chau Heung (唐伯虎點秋香後傳)	Internet movie	To be determined	Script completed
12	Elderly Hero (遲暮英雄)	Internet movie	To be determined	Script completed
13	The First Undercover in the Southern Song Dynasty – The Case of Demon Cat (南宋第一臥底之妖貓案)	Internet movie	To be determined	Script completed
14	Mystery Case in Ying Dynasty (大應奇案生死簿)	Internet movie	To be determined	Script completed
15	Amaranthine Epiphyllum (雙世曇花)	Internet movie	To be determined	Script completed
16	The Iron Trophy (鐵甲雄風)	Internet movie	To be determined	Script completed
17	Bulletproof Teacher (穿越火線:防彈教師)	Internet drama	To be determined	Script completed
18	Limited Romance (限定浪漫)	Internet drama	To be determined	Script completed
19	Through the Storm (玉骨瓷心) (formerly known as "Shiny Day" (雨過天晴雲開處))	Internet drama	To be determined	Script completed

SUPPLEMENTARY INFORMATION

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

For the Period Under Review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CHANGE OF DIRECTORS AND SENIOR MANAGEMENT INFORMATION

Reference is made to the announcement of the Company dated 18 April 2024. Ms. Liu Chen Hong ("**Ms. Liu**") tendered her resignation as an independent non-executive Director (the "**INED**"), a member of the audit committee (the "**Audit Committee**") of the Board, a member of the remuneration committee of the Board and the chairlady of the nomination committee of the Board with effect from 18 April 2024.

Save as disclosed above, the Directors and chief executives confirmed that, no other changes in the information of any Directors and chief executives after the date of the Annual Report 2023 that are required to be disclosed pursuant to Rule 13.51B(1) of the Rules (the "**Listing Rules**") Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

As at 30 June 2024, the Directors and chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"):

Name of Directors	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of shares <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Mr. LIU Dong <i>(Note 3)</i>	The Company	Interest of a controlled corporation	307,809,902 Shares (L)	14.31%
Mr. HE Han	The Company	Beneficial owner	16,254,000 Shares (L)	0.76%

Notes:

- The letter "L" denotes the Directors' long position in the shares of the Company (the "**Shares**") or the relevant associated corporation.
- Total issued Shares as at 30 June 2024 is 2,151,577,026.
- The Shares are held by Excel Orient Limited, a company incorporated in the British Virgin Islands and the entire issued capital of which is beneficially owned by Mr. LIU Dong, one of the controlling shareholders and an executive Director.

Save as disclosed above, as at 30 June 2024, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, so far as was known to the Directors, the following persons/ entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares, its Group members and/or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Capacity/nature of interest	Number of Shares and underlying Shares held/interested (Note 1)	Approximate percentage of shareholding
Cinedigm Corp. (Note 2)	Beneficial owner	225,311,397 (L)	10.47%
Excel Orient Limited (Note 3)	Beneficial owner	307,809,902 (L)	14.31%
Ms. WANG Lingli (Note 4)	Family interest	307,809,902 (L)	14.31%
Aim Right Ventures Limited (" Aim Right ") (Note 5)	Beneficial owner and interests of a controlled corporation	505,322,946 (L)	23.49%
Link Wealth Holding Limited (" Link Wealth ") (Note 5)	Beneficial owner	184,810,126 (L)	8.59%
Mr. LIU Zhihua (Note 5)	Interests of a controlled corporation	505,322,946 (L)	23.49%
Emerge Ventures Limited (Note 6)	Beneficial owner	171,926,000 (L)	7.99%
Mr. JIN Peng (Note 6)	Interests of a controlled corporation	171,926,000 (L)	7.99%
Ms. SHEN Si (Note 7)	Family interest	171,926,000 (L)	7.99%
Jinbi Market (Hong Kong) Limited (Note 8)	Beneficial owner	303,609,790 (L)	14.11%
Yunnan Jinma Biji Tourism Hypermall Co., Ltd.* (雲南金馬碧雞旅遊商城股份有限公司) (Note 8)	Interests of a controlled corporation	303,609,790 (L)	14.11%
Kunming Municipal Infrastructure Integrated Development and Construction (Group) Shares Co., Ltd.* (昆明市政基礎設施綜合開發建設(集團)股份有限公司) (Note 8)	Interests of a controlled corporation	303,609,790 (L)	14.11%
Pioneer Investment Co., Ltd* (先鋒投資有限公司) (Note 8)	Interests of a controlled corporation	303,609,790 (L)	14.11%
SHI Zhengmin (Note 8)	Interests of a controlled corporation	303,609,790 (L)	14.11%

Notes:

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

Save as disclosed above, as at 30 June 2024, the Directors were not aware of any other persons/ entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code contained in Part 2 – Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices of Appendix C1 to the Listing Rules. Save as disclosed in this report, the Company had complied with the Code Provisions throughout the Period Under Review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

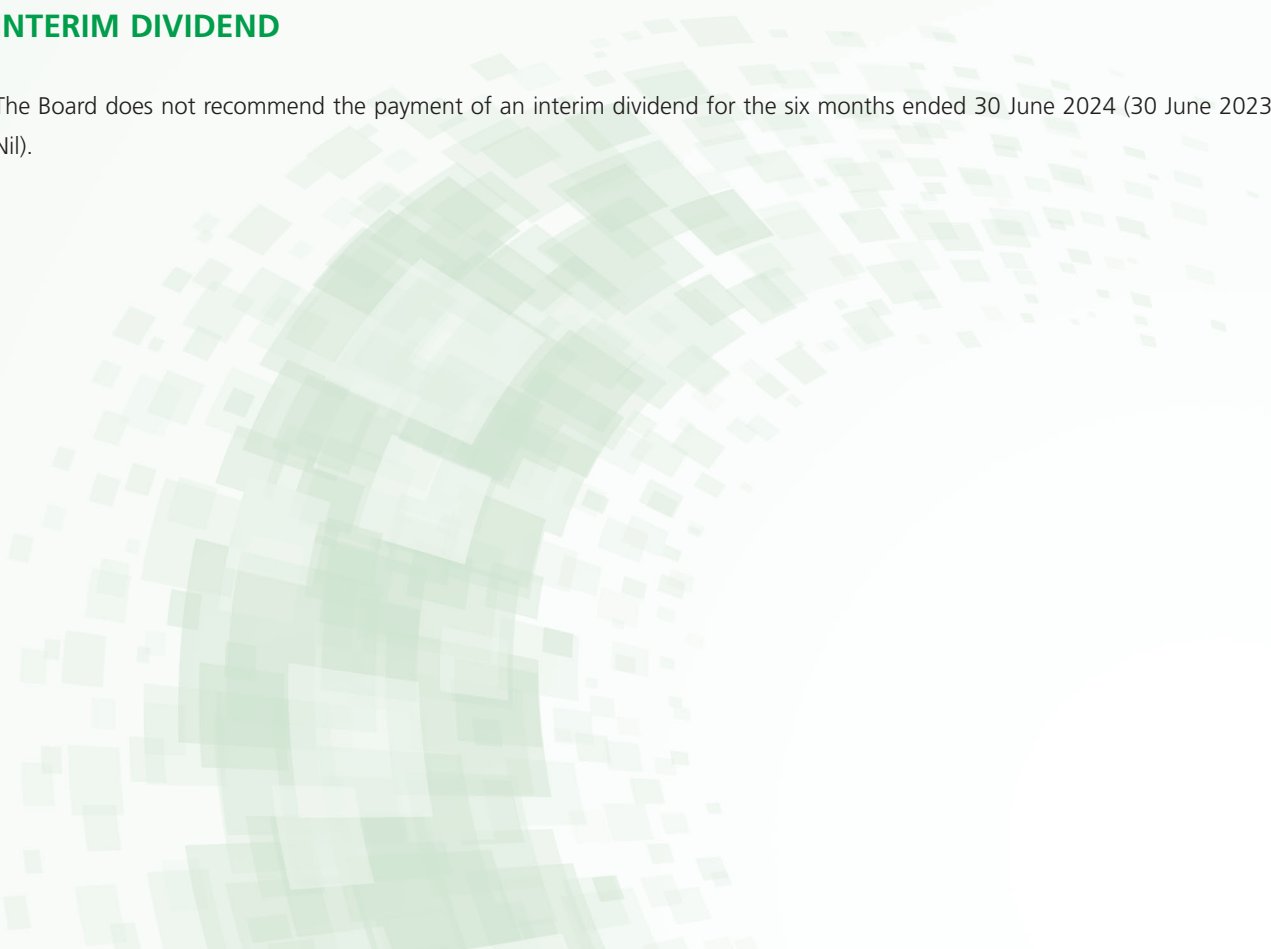
The Company has adopted the Model Code as the code of conduct regarding securities transactions of Directors. The Company confirms that, having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standards of dealing as set out in the Model Code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

AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters (including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2024 and this report). The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).



SHARE OPTION SCHEME

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

On 19 January 2022, the Shareholders passed the ordinary resolutions, among the others, to adopt the Share Option Scheme. The Share Option Scheme was adopted with effect from 20 January 2022 (the “**Adoption Date**”).

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

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Group to grant options (the “**Option(s)**”) to subscribe for Shares pursuant to the Share Option Scheme to selected participants as incentives or rewards for their contribution to the Group, in particular:

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

2. Who May Join

The Board may, at its discretion, invite any person belonging to any class of (a) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; and (b) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries (collectively, the “**Eligible Participants**”) to take up Options to subscribe for Shares.

3. Grant of Options and Acceptance of Offers

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

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

The Board shall forward to the Eligible Participant an offer document in such form as the Board may from time to time determine. The Offer shall remain open for acceptance by the Eligible Participant concerned (and by no other person, including the person or persons who, in accordance with the laws of succession applicable in respect of the death of a grantee, is or are entitled to exercise the Option granted to such grantee (to the extent not already exercised) (the “**Personal Representative(s)**”) for a period of ten (10) Business Days (a day excluding a Saturday, Sunday, public holiday, or days on which a typhoon signal No.8 or black rainstorm signal is hoisted in Hong Kong at 9:00 a.m. on which banks in Hong Kong are open for business throughout their normal business hours and the Stock Exchange is open for business of dealing in securities) provided that no such Offer shall be open for acceptance after close of business of the Company on the date which falls ten (10) years after the Adoption Date (the “**Termination Date**”) or after the Share Option Scheme has been terminated.

An Option shall be deemed to have been granted and accepted by the Grantee and to have taken effect when the duplicate offer document constituting acceptances of the Options duly signed by any Eligible Participant(s) who accept(s) the Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) his/her Personal Representative(s) (the "**Grantee**"), together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

4. Exercise Price

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

- (a) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant (the date on which the Board resolves to make an Offer of an Option to an Eligible Participant, which date must be a Business Day);
- (b) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five (5) Business Days immediately preceding the Date of Grant; and
- (c) the nominal value of the Shares.

5. Maximum Number of the Shares Available for Subscription

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

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

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

6. Maximum Entitlement of Each Grantee

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

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

7. Grant of Options to Connected Persons

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

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

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

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

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

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

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

8. Rights of Grantees

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

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

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

9. Time of Exercise of an Option

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

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

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

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

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

10. Performance Target

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

11. Reorganisation of Capital Structure

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

12. Early Termination of Option Period

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

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

13. Cancellation of Option Granted

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

14. Alteration of the Share Option Scheme

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

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

15. Termination

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

On 30 June 2024, the remaining maturity of the Scheme was seven years and seven months.

On 27 January 2022, the Board resolved to grant share options to certain Grantees to subscribe for a total of 144,440,000 ordinary shares with a nominal value of US\$0.01 each of the Company, representing approximately 6.71% of the issued share capital of the Company on the date of the grant. The Options were granted to the Grantees on 27 January 2022 and all the Options were vested immediately on the date of grant. All the Options granted on 27 January 2022 lapsed during the year ended 31 December 2023.

There were no Options outstanding, granted, exercised, cancelled or lapsed during the Period Under Review. The number of Options that are available for grant under the Share Option Scheme as at 1 January 2024 and 30 June 2024 was 215,157,702.

During the Period Under Review, (i) no service provider sub-limit was set under the Share Option Scheme, (ii) no options were granted to the Company's Directors, chief executive, or substantial Shareholders of the Company or their respective associates; (iii) no participant with Options granted and to be granted in excess of the 1% individual limit; (iv) no related entity participant or service provider with Options granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue (excluding treasury Share).

No option has been granted under the Share Option Scheme during the Period Under Review, therefore, the weighted average closing price of Shares immediately before the date(s) on which the Options were granted during the Period Under Review is not applicable.

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

EVENTS AFTER THE PERIOD UNDER REVIEW

References are made to the announcements of the Company dated 18 April 2024, 17 July 2024 and 5 August 2024, in relation to the resignation of Ms. Liu as an INED and the cessation of her offices in the Board committees.

Following the resignation of Ms. Liu as an INED and the cessation of her offices in the Board committees on 18 April 2024:–

- (i) the Company has only two INEDs, which falls below the minimum number of three INEDs as required under Rule 3.10(1) of the Listing Rules and Part 1-B(f) of the Code Provisions (as defined below); and
- (ii) the Company has only two members of the Audit Committee, which falls below the minimum of three members as required under Rule 3.21 of the Listing Rules.

The Board has been actively identifying and approaching a few potential candidates who have appropriate expertise and satisfy the board diversity policy of the Company to be appointed as a new INED to fill the vacancy on the Board over the past few months. However, additional time was required for the Board and the nomination committee to complete the selection and nomination procedures for the new INED appointment, including but not limited to (a) conducting further background checks; (b) arranging preliminary interviews with the potential candidates and further interviews with the shortlisted candidates to assess their suitability, experience, skills, qualifications and independence; and (c) negotiating terms of the appointment letter with the potential candidates.

As the Company was unable to appoint a suitable candidate as a new INED within three months after the resignation of Ms. Liu, the Company applied to the Stock Exchange for, and has been granted, a waiver from strict compliance with Rules 3.10(1) and 3.21 of the Listing Rules and to extend the grace period until 17 October 2024 to fill the vacancy.

Save as disclosed above, there is no significant event after the Period Under Review and up to the date of this report that needs to be disclosed.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – Unaudited

	Notes	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	3	355	2,134
Cost of sales and services		(32)	(741)
Gross profit		323	1,393
Other income, gains or losses, net	4	2,138	(1,659)
Distribution costs		(2,118)	(2,248)
Administrative expenses		(5,868)	(7,788)
Reversal of impairment losses on trade and other receivables	5(b)	5,071	14,773
(Loss)/profit from operation		(454)	4,471
Net finance costs	5(a)	(7,974)	(4,874)
Loss before taxation	5	(8,428)	(403)
Income tax	6	–	–
Loss and total comprehensive expense for the period		(8,428)	(403)
Attributable to:			
Equity shareholders of the Company		(8,428)	(387)
Non-controlling interests		–	(16)
Loss and total comprehensive expense for the period		(8,428)	(403)
Basic loss per share (RMB cents)	7(a)	(0.39)	(0.02)
Diluted loss per share (RMB cents)	7(b)	(0.39)	(0.02)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – Unaudited

		As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		833	509
Intangible assets	8	10,000	11,000
Financial assets at fair value through profit or loss		1,577	1,577
Investments in associates		20	20
Drama series and films	9	48,004	48,104
		60,434	61,210
Current assets			
Trade and other receivables	10	233,031	27,195
Cash and cash equivalents		15,793	236,748
		248,824	263,943
Current liabilities			
Trade and other payables	11	11,994	21,067
Other borrowings	12	88,915	86,632
Lease liabilities		373	175
Current taxation		12,384	13,342
		113,666	121,216
Net current assets		135,158	142,727
Total assets less current liabilities		195,592	203,937

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – Unaudited (continued)

	<i>Notes</i>	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Non-current liabilities			
Lease liabilities		358	275
Deferred tax liabilities		539	539
		897	814
Net assets		194,695	203,123
Capital and reserves			
Share capital	13(b)	137,801	137,801
Reserves		56,894	65,322
Total equity		194,695	203,123

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 – Unaudited

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premiums	Share option reserve	Statutory surplus reserve	Other reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2023	137,801	857,469	5,751	88,020	82,385	(952,658)	218,768	(245)	218,523
Change in equity for the six months ended 30 June 2023:									
Loss and total comprehensive expense for the period	-	-	-	-	-	(387)	(387)	(16)	(403)
Contribution of capital from non-controlling shareholder	-	-	-	-	-	-	-	500	500
Transfer upon lapse of share options	-	-	(5,751)	-	-	5,751	-	-	-
Balance at 30 June 2023	<u>137,801</u>	<u>857,469</u>	<u>-</u>	<u>88,020</u>	<u>82,385</u>	<u>(947,294)</u>	<u>218,381</u>	<u>239</u>	<u>218,620</u>
Balance at 31 December 2023 and 1 January 2024	137,801	857,469	-	5,845	82,385	(880,377)	203,123	-	203,123
Change in equity for the six months ended 30 June 2024:									
Loss and total comprehensive expense for the period	-	-	-	-	-	(8,428)	(8,428)	-	(8,428)
Disposal of a subsidiary	-	-	-	(282)	-	282	-	-	-
Balance at 30 June 2024	<u>137,801</u>	<u>857,469</u>	<u>-</u>	<u>5,563</u>	<u>82,385</u>	<u>(888,523)</u>	<u>194,695</u>	<u>-</u>	<u>194,695</u>

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

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

For the six months ended 30 June 2024 – Unaudited

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Operating activities		
Cash used in operation	(215,435)	(16,709)
Tax paid	-	-
	<u>(215,435)</u>	<u>(16,709)</u>
Net cash used in operating activities	<u>(215,435)</u>	<u>(16,709)</u>
Investing activities		
Proceeds from repayments of disposal subsidiaries	78	163,687
Capital contributions to an associate	-	(15)
Proceeds from repayments of advance to third parties	-	92,956
Interest received	231	1,816
	<u>309</u>	<u>258,444</u>
Net cash generated from investing activities	<u>309</u>	<u>258,444</u>
Financing activities		
Capital contribution from non-controlling shareholder	-	500
Capital element of lease rentals paid	(175)	(362)
Interest element of lease rentals paid	(8)	(291)
Proceeds from bank loans	-	8,800
Repayment of bank loans	-	(11,175)
Proceeds for advance from third parties	716	-
Payment for advance from third parties	(456)	-
Repayment for other borrowing	(5,907)	(5,832)
	<u>(5,830)</u>	<u>(8,360)</u>
Net cash used in financing activities	<u>(5,830)</u>	<u>(8,360)</u>
Net (decrease)/increase in cash and cash equivalents	(220,956)	233,375
Cash and cash equivalents at 1 January	236,748	10,890
Effect of foreign exchange rate change	1	15
	<u>15,793</u>	<u>244,280</u>
Cash and cash equivalents at 30 June	<u>15,793</u>	<u>244,280</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group incurred a net loss of RMB8,428,000 for the six months ended 30 June 2024. As at 30 June 2024, the Group has bonds amounting to RMB40,909,000 which were overdue for repayment since 15 February 2022, and other borrowing amounting to RMB48,006,000 which was overdue for repayment since November 2023 as disclosed in note 12. The Group’s cash and bank balances only amounted to RMB15,793,000 as at 30 June 2024. As disclosed in note 12, the Group has defaulted in repayment of the bonds issued by the Company and the other borrowing as at 30 June 2024. Up to the date when the condensed consolidated financial statements were authorised for issue, there was no settlement for the bonds and other borrowing.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and financial requirements. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

- The Group will continue to pay close attention to the film and television media industry and make good use of its resources with an aim to attain positive and sustainable cash flow from operations;
- The Group is putting extra efforts on collecting its trade and other receivables and procuring the distribution of the drama series and films;
- The Group is in discussions with its lenders to timely renew or extend its existing other borrowings; and
- The Group will actively and regularly review its capital structure and source for additional capital by issuing bonds or new shares, where appropriate.

1. BASIS OF PREPARATION (Continued)

The directors of the Company have reviewed the Group's cash flow projections covering a period of not less than twelve months from the end of the reporting period prepared by management. In the opinion of the directors of the Company, assuming the successful outcome of the above measures, the Group will have sufficient working capital to meet its financial liabilities as and when they fall due. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the financial statements.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

Other than additional accounting policies resulting from application of new and amendments to IFRS Accounting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

(a) Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs, issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

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

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

3. REVENUE

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Licensing of drama series and films, transfer of license of drama series and films	355	2,130
– Provision of drama series and films production, distribution and related services	–	4
	355	2,134

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

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Disaggregated by timing of revenue recognition		
– Point in time	355	2,134
– Over time	–	–
	355	2,134

4. OTHER INCOME, GAINS OR LOSSES, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Net income from investments in drama series and films <i>(Note)</i>	–	852
Net foreign exchange loss	(5,489)	(7,091)
Gain on disposal of a subsidiary <i>(Note 14)</i>	4,416	–
Others	3,211	4,580
	<u>2,138</u>	<u>(1,659)</u>

Note:

The amount represents net finance income from advances relating to drama series and films included with fixed-income rate as described in note 10.

5. LOSS BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest on bonds	1,580	1,529
Interest on bank loans and other borrowings	6,308	3,474
Interest on lease liabilities	8	291
Interest income	(231)	(1,816)
Net foreign exchange losses	302	1,389
Bank charges	7	7
	<u>7,974</u>	<u>4,874</u>

5. LOSS BEFORE TAXATION (Continued)**(b) Other items**

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Amortisation on intangible assets	1,000	1,000
Depreciation		
– owned property, plant and equipment	11	63
– right-of-use assets	121	50
Reversal of impairment losses		
– trade and other receivables	<u>(5,071)</u>	<u>(14,773)</u>

6. INCOME TAX

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax	–	–
Deferred tax	–	–
	<u>–</u>	<u>–</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.
- (ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the six months ended 30 June 2024 and 2023, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

6. INCOME TAX (Continued)

- (iii) The Group's PRC subsidiaries are subject to income tax rate of 25% (2023: 25%), except for Hainan Yingsheng Media Co., Ltd. which operates in Hainan province and engages in the production and distribution of drama series and films, it is subject to a preferential tax rate of 15% from 2020 to 2024.
- (iv) Dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. Star Rise Investments Ltd. and Star Will Investments (HK) Ltd., Hong Kong subsidiaries of the Company, would be subject to PRC dividend withholding tax on dividends receivable from their PRC subsidiaries.
- (v) Pursuant to the PRC Enterprise Income Tax preferential policies in Khorgos of Xinjiang province, Khorgos Starrise Qicheng Media Co., Ltd., a subsidiary of the Company located in Khorgos of Xinjiang province and are principally engaged in the production and distribution of drama series and films, are entitled to a tax holiday of 5-year full exemption on Enterprise Income Tax commencing from the first revenue-generating year. The first exemption year for Khorgos Starrise Qicheng Media Co., Ltd., is 2019.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the parent of RMB8,428,000 (six months ended 30 June 2023: RMB387,000) and the weighted average of 2,151,577,000 ordinary shares (2023: 2,151,577,000 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the parent of RMB8,428,000 (six months ended 30 June 2023: RMB387,000) and the weighted average of 2,151,577,000 ordinary shares (2023: 2,151,577,000 ordinary shares) in issue during the interim period.

8. INTANGIBLE ASSETS

	Contractual Right <i>(Note (a))</i> RMB'000	Patents and Trademarks <i>(Note (b))</i> RMB'000	Computer software RMB'000	Total RMB'000
Cost:				
At 1 January 2023	20,000	–	35	20,035
Additions	–	500	–	500
Disposal of subsidiaries	–	–	(35)	(35)
At 31 December 2023	20,000	500	–	20,500
At 1 January 2024 and 30 June 2024	20,000	500	–	20,500
Accumulated amortisation:				
At 1 January 2023	(7,000)	–	(35)	(7,035)
Charge for the year	(2,000)	–	–	(2,000)
Written back upon disposal of subsidiaries	–	–	35	35
Impairment loss	–	(500)	–	(500)
At 31 December 2023	(9,000)	(500)	–	(9,500)
At 1 January 2024	(9,000)	(500)	–	(9,500)
Charge for the period	(1,000)	–	–	(1,000)
At 30 June 2024	(10,000)	(500)	–	(10,500)
Net book value:				
At 30 June 2024	10,000	–	–	10,000
At 31 December 2023	11,000	–	–	11,000

Notes:

- (a) The Group acquired the contractual right under an arrangement for provision of training services relating to films production, which would be amortised over the contractual period.
- (b) All the patents and trademarks are used for provision of cloud gaming, software development and technology consulting services.

9. DRAMA SERIES AND FILMS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Costs of drama series and films		
– in production	34,847	34,847
– completed production	47,522	72,322
	82,369	107,169
Accumulated write-downs	(34,365)	(59,065)
	48,004	48,104
Drama series and films – current portion	–	–
Drama series and films – non-current portion	48,004	48,104
	48,004	48,104

	In production RMB'000	Completed production RMB'000	Total RMB'000
As at 1 January 2023	1,666	106,184	107,850
Additions	30,000	–	30,000
Recognised in cost of sales	–	(75,558)	(75,558)
Impairment loss recognised	(55)	(9,849)	(9,904)
Disposal of subsidiaries	(1,611)	(2,673)	(4,284)
As at 31 December 2023	30,000	18,104	48,104
As at 1 January 2024	30,000	18,104	48,104
Amount refunded from a supplier	–	(100)	(100)
As at 30 June 2024	30,000	18,004	48,004

10. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade receivables		
– Less than 3 months	–	8,286
– 3 to 6 months	–	155
– 6 to 12 months	58	–
	<hr/>	<hr/>
Trade receivables, net of loss allowance	58	8,441
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Advances relating to drama series and films (<i>Note</i>)	224,842	9,415
Deferred expenses	22	10
Others	8,109	9,329
	<hr/>	<hr/>
	232,973	18,754
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Other receivables expected to be collected or recognised as expense after more than one year	–	–
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Trade and other receivables expected to be recovered or recognised as expense within one year	233,031	27,195
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Note:

As at 31 December 2023, the balance represents advances to the film producers for the production of drama series and films. The Group is entitled to receive fixed income at annual return rate at 15% on the investment costs of RMB1,600,000. The remaining balances are interest free advances to the film producers for production of drama series and films.

As at 30 June 2024, the balance are interest free advances to the film producers for production of drama series and films.

11. TRADE AND OTHER PAYABLES

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

		At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
	<i>Notes</i>		
Trade payables			
– Within 3 months		262	2,604
Advances from third parties	(a)	260	1,600
Payables relating to drama series and films	(b)	2,170	4,903
Tax payable other than income tax	(c)	1,629	2,096
Accrued charges		1	1
Other payables		4,672	6,863
		8,732	15,463
Receipts in advance		3,000	3,000
		11,994	21,067

Notes:

- (a) As at 30 June 2024 and 31 December 2023, advances from third parties are unsecured, interest-free and had no fixed repayment terms or repayable within one year.
- (b) Payables relating to drama series and films mainly represented the monies received on behalf of the independent third parties who cooperated with the Group for production of drama series and films. The amounts are unsecured, interest-free and had no fixed repayment terms or repayable within one year.
- (c) As at 30 June 2024, tax payable other than income tax mainly represents value-added tax of RMB1,607,000 (31 December 2023: RMB1,769,000).

12. OTHER BORROWINGS

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Bonds (<i>note 12(b)(i)</i>)	40,909	44,934
Other borrowing (<i>note 12(b)(ii)</i>)	48,006	41,698
	88,915	86,632
Amounts due to be settled within one year	(88,915)	(86,632)
Amount due to be settled after one year	—	—

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

(i) 2020 Bonds

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

On 23 March 2021, the Company and BeiTai agreed to extend the maturity date of the bonds in the aggregate principal amount of HK\$43,000,000 to 15 February 2022. On 15 February 2022, the Company failed to settle the principal amount outstanding of RMB35,157,000 together with accrued interest of RMB3,070,000. During the six months ended 30 June 2024, the interest accrued in profit or loss after default amounting to RMB1,580,000 (31 December 2023: RMB3,140,000). The Group partially settled RMB5,907,000 after maturity date of the bonds during the six months ended 30 June 2024 (31 December 2023: Nil). Up to the date when the condensed consolidated financial statements were authorised for issue, the Company has been continuing its discussions with BeiTai as to the repayment plan of the bonds and the parties have not reached agreement yet.

12. OTHER BORROWINGS (Continued)

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

(ii) Other borrowing and derivative liabilities

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

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

On 5 July 2022, the Target Company, the Seller A, the Purchaser, the Company and the Guarantor entered into the repurchase agreement (the “**Repurchase Agreement A**”) in relation to the repurchase of approximately 39% equity interest in the Target Company in the consideration of approximately RMB43.71 million.

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

On 5 June 2023, the Company, the Purchaser, Seller A, the Target Company and the Guarantor entered into a supplemental repurchase agreement (the “**Supplemental Repurchase Agreement**”) to revise certain terms and conditions of the Repurchase Agreement A. The consideration of the Repurchase Agreement A is revised from approximately RMB43.71 million to approximately RMB47.26 million. The approximately RMB3.55 million increase in the consideration represents the delay interest (the “**Delay Interest**”) in the amount of approximately RMB4.66 million on the net capital contributed by Seller A into Target Company of RMB37.93 million (the “**Repurchase Balance**”) at the rate of 12.3% per annum for a period of 1 year from 19 November 2022 (being the due date for payment by the Group of the consideration under the Repurchase Agreement A) to 19 November 2023 (being the revised due date for payment by the Group of the consideration under the Supplemental Repurchase Agreement) minus approximately RMB1.11 million which the Purchaser has already paid. As Seller A was a substantial shareholder of the Target Company as at the material time the Supplemental Repurchase Agreement was entered into, Seller A was a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Repurchase from Seller A constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules (Note).

12. OTHER BORROWINGS (Continued)

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

(ii) Other borrowing and derivative liabilities (Continued)

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

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

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

The Group failed to settle the other borrowings upon maturity in November 2023. The late fee accrued for overdue payment amounted to RMB3,982,000 (31 December 2023: RMB853,000) was provided for the six months ended 30 June 2024. Up to the date when the condensed consolidated financial statements were authorised for issue, the Company has been continuing its discussions with Seller A as to the repayment plan of the other borrowing and the parties have not reached agreement yet.

Note: As (i) Seller A is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Repurchase from Seller A; and (iii) the independent non-executive Directors have confirmed that the Repurchase from Seller A are on normal commercial terms and their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the entering into the Supplemental Repurchase Agreement is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

13. CAPITAL AND DIVIDENDS

(a) Dividends

The Group has no dividend payable to equity shareholders attributable to the interim period (2023: Nil) and no dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period (2023: Nil).

(b) Share capital

	At 30 June 2024		At 31 December 2023	
	No. of shares	RMB'000	No. of shares	RMB'000
Authorised:				
Ordinary shares of USD0.01 each	<u>10,000,000,000</u>	<u>632,110</u>	<u>10,000,000,000</u>	<u>632,110</u>
Ordinary shares, issued and fully paid:				
At 1 January 2023, 31 December 2023 and 30 June 2024	<u>2,151,577,026</u>	<u>137,801</u>	<u>2,151,577,026</u>	<u>137,801</u>

14. DISPOSAL OF A SUBSIDIARY

Disposal of entire equity interest in Ningbo Yuanning Media Co., Ltd. (寧波原寧文化傳媒有限公司) (the “Disposal Company”)

On 20 June 2024, Beijing Starrise Cultural Development Co., Ltd (北京星宏文化發展有限公司) (the “Vendor”) and Chongqing Zhiyuan Pictures Culture Media Co., Ltd. (重慶致遠影視文化傳媒有限公司) (the “Purchaser A”), an independent third party to the Group, entered into a sale and purchase agreement, pursuant to which, Vendor has agreed to sell, and Purchaser A has agreed to acquire, the 100% interest in the Disposal Company at a consideration of RMB100,000. The consideration was received during the six months ended 30 June 2024. The transfer of control over the Disposal Company has been completed on 25 June 2024.

	RMB'000
Consideration	
Cash	100
Current assets	
Trade and other receivables	1,701
Cash and cash equivalents	22
Current liabilities	
Trade and other payables	(5,081)
Tax payable	(958)
Net liabilities disposed of	(4,316)
Gain on disposal (<i>Note</i>)	4,416
Total consideration	100
Net cash outflow arising on disposal	
Cash consideration received	100
Less: cash and cash equivalents disposed of	(22)
	78

Note: The gain of disposal is mainly due to the fact that the Disposal Company had net liabilities of carrying amount of RMB4,316,000.

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

(i) Fair value hierarchy

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

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

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

	Fair value at 30 June 2024 RMB'000	Fair value measurements as at 30 June 2024 categorised into		
		(Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000
Recurring fair value measurements				
Financial assets at fair value through profit or loss ("FVPL")				
– unlisted equity investment	1,577	–	–	1,577

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2023 RMB'000	Fair value measurements as at 31 December 2023 categorised into		
		(Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000

Recurring fair value measurements

Financial assets at fair value through
profit or loss

– unlisted equity investment	1,577	–	–	1,577
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During the six months ended 30 June 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Financial assets at FVPL – unlisted equity investment	Income approach	Discount rate	2% (31 December 2023: 2%)	2% (31 December 2023: 2%)

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

	2024 RMB'000	2023 RMB'000
Financial assets at FVPL		
– Unlisted equity investment in a fund		
At 1 January	1,577	1,870
Change in fair value recognised in profit or loss for the period/year	–	(293)
At 30 June/31 December	<u>1,577</u>	<u>1,577</u>
Total loss for the period/year included in profit or loss	<u>1,577</u>	<u>293</u>

The gain or loss arising from the change in fair value of financial assets at FVPL are presented in “other income, gains or losses, net” in the condensed consolidated statement of profit or loss.

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

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

16. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Short-term employee benefits	2,174	1,843
Post-employment benefits	155	121
	<u>2,329</u>	<u>1,964</u>

(b) Transactions with related parties

The Group has entered into transactions with related parties for the six months ended 30 June 2024 as follows:

Related party	Nature of transaction	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
A director	Interest expense	<u>-</u>	<u>61</u>

(c) Balances with related parties

As at 30 June 2024 and 31 December 2023, the Group had the following balances with related parties:

	Note	At	At
		30 June	31 December
		2024	2023
		RMB'000	RMB'000
Amount due to a shareholder of the Company	(i)	<u>40,909</u>	<u>44,934</u>

- (i) The amount due to a shareholder, who held 4.88% equity interest (31 December 2023: 5.96%) of the Company is included in "other borrowings" (note 12).

17. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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