

稻草熊娱乐集团

STRAWBEAR ENTERTAINMENT GROUP

股份代號
STOCK CODE
2125

於開曼群岛注册成立之有限公司

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY



2021 中期報告 INTERIM REPORT



稻草熊
STRAWBEAR

彼之所乐，我之所幸

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Corporate Information

DIRECTORS

Executive Directors

Mr. LIU Xiaofeng (*Chairman*)
Ms. ZHANG Qiuchen
Mr. CHEN Chen
Ms. ZHAI Fang

Non-Executive Directors

Mr. WANG Xiaohui
Mr. WANG Jun (*resigned on April 27, 2021*)
Ms. ZENG Ying (*appointed on April 27, 2021*)

Independent Non-executive Directors

Mr. MA Zhongjun
Mr. ZHANG Senquan
Mr. CHUNG Chong Sun

AUDIT COMMITTEE

Mr. ZHANG Senquan (*Chairman*)
Mr. WANG Jun (*resigned on April 27, 2021*)
Ms. ZENG Ying (*appointed on April 27, 2021*)
Mr. CHUNG Chong Sun

REMUNERATION COMMITTEE

Mr. MA Zhongjun (*Chairman*)
Mr. LIU Xiaofeng
Mr. CHUNG Chong Sun

NOMINATION COMMITTEE

Mr. MA Zhongjun (*Chairman*)
Mr. LIU Xiaofeng
Mr. CHUNG Chong Sun

JOINT COMPANY SECRETARIES

Ms. ZHAI Fang
Mr. WONG Keith Shing Cheung

AUTHORIZED REPRESENTATIVES

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Mr. WONG Keith Shing Cheung

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COMPANY'S WEBSITE

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Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

The Group is a major drama series producer and distributor in the PRC, principally engaged in the investment, development, production and distribution of TV series and web series. In the first half of 2021, by continuously deepening its platform business model and giving full play to its brand influence, the Group effectively integrated high-quality resources in the industry, achieved the large-scale production of content driven by the industrial production model, and recorded a rapid growth in the number of drama series broadcast, revenue, and profit scale. For the six months ended June 30, 2021, the Group's revenue amounted to approximately RMB975.0 million, representing an increase of 68.1% from approximately RMB579.8 million for the six months ended June 30, 2020. For the six months ended June 30, 2021, the Group's profit for the period amounted to approximately RMB94.5 million, representing an increase of 74.5% from approximately RMB54.1 million for the six months ended June 30, 2020.

In addition, the Group's content production capacity has been widely recognized by the market. Since 2017, the Group has been listed as the holder of the Television Drama Production Permit (Class A) (《電視劇製作許可證(甲種)》) for five consecutive years, and became one of the 41 holders of the permit in 2021-2023 as well as the only non-state-owned company holding the permit in Jiangsu province.

The Group believes that, by continuously deepening its platform business model, and constantly enhancing its capability to diversify IP reserves and revenue sources, enhancing the resource integration capability of the entire industry chain and strengthening the industrial production capacity, the Group can deliver more high-quality and diversified content in an efficient and large-scale manner, which will help the Group to maintain its leading position in the industry under the fierce and complex market competition.

The Group's platform business model

The Group's platform business model can effectively integrate key resource elements, such as screenwriters, producers, directors and actors, production studios, quality control specialists and distribution channels, into its well-established ecosystem. Through continuously improving the "comprehensive middle platform" with professional production management and quality control capabilities, our platform business model provides comprehensive commercial services for excellent participants in each production stage, more closely integrates and continuously optimizes the content creation process, and makes content production more efficient to achieve synergies and industrial production.

The Group's comprehensive middle platform services cover the entire production process of drama series, including professional IP evaluation and collection of quality IP resources, systematic deployment and establishment of core crew team of drama series, project capital operation and management, supervision of production process and quality, centralized management of the post-production service providers, formulation and implementation of publicity and distribution strategies, etc. In the first half of 2021, the Group further strengthened the service capability of "comprehensive middle platform" and improved the standardization of the whole process management of drama series production by optimizing internal organization structure and functional division of the middle platform and recruiting more professionals.

In addition, the Television Drama Production Permit (Class A) enables the Group go through simplified procedures of applications for the relevant public record and content review, which might help shorten the production cycle of drama series.

This enabled the Group achieve large-scale production of drama series in the first half of 2021 and a stable endogenous growth in the number of drama series broadcast and pipeline drama series, which further reflected the scale effect of its content production under the platform business model.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

The Group's platform business model (cont'd)

For the six months ended June 30, 2021, the Group has broadcasted 9 drama series, representing an increase of 125% in the number of drama series broadcast as compared with 4 drama series broadcasted for the same period in 2020. For instance, the fantasy drama series, Spirit Realm (靈域), which the Group participated in the production and was starring Fan Chengcheng (范丞丞) and Cheng Xiao (程瀟), and China's first group portrait drama series regarding foreign medical aid, Breath Of Destiny (一起深呼吸), starring Qi Wei (戚薇) and Yang Youning (楊祐寧) were broadcasted in the first half of 2021 and performed well. In addition, as of June 30, 2021, the Group has a number of drama series to be broadcasted, such as Party Group (黨小組) (a modern times revolution drama series starring Zhang Luyi (張魯一), Nie Yuan (聶遠) and Han Xue (韓雪)); Flying To The Moon (月歌行) (a period fantasy drama series starring Zhang Binbin (張彬彬) and Xu Lu (徐璐)); My Bargain Queen (我的砍價女王) (a metropolitan romance drama series starring Lin Gengxin (林更新), Wu Jinyan (吳謹言) and Wu Qilong (吳奇隆)); Handsome Young Master (公子傾城) (a period romance drama series starring Bu Guanjin (卜冠今) and Wang Xingyue (王星越)). All these drama series will be broadcasted in the near future. In addition, the Group continued to improve the industrialization efficiency and actively promoted the development and preparation of various drama series. As of June 30, 2021, the Group also had several drama series that had commenced shooting or were under active preparation, among which: Our Destiny In Self-Redemption (浮圖緣) (a period fantasy drama series starring Wang Hedi (王鶴棣) and Chen Yuqi (陳鈺琪)); The Bachelors (追愛家族) (a modern metropolitan drama series starring Guo Jingfei (郭京飛), Jia Nailiang (賈乃亮), Tan Zhuo (譚卓) and Xiong Ziqi (熊梓淇)); My Girlfriend is The Antidote (我的女友是解藥) (a modern metropolitan drama series starring Jia Yi (嘉羿) and Jin Zixuan (金子璇)) had started shooting. In addition, a modern metropolitan drama series, Legend of Bikini (乘風踏浪), starring Qiao Shan (喬杉) and Yang Zishan (楊子姍) and a crime drama series, Trap Thieves (鬥賊) starring Huang Jingyu (黃景瑜) and Xiu Rui (修睿) were under preparation. We aim to deliver more quality drama series with highly professional middle platform service capability.

Diversified IP reserves

The Group attaches importance to the reserves and development of IP, and obtains premium IP of various genres from many sources, including Teen drama, Comedy romance, Office drama, Family drama, Period romance, History, and other themes. The diversified and quality IP reserves will help it carry out content layout in multiple circles and multiple segments.

As of June 30, 2021, in addition to the drama series broadcasted and to be broadcasted, the Group had engaged screenwriters to create 13 original screenplays based on its own initial ideas and 34 adapted screenplays based on licensed IPs.

The Group believes that stable and continuous exploration and reserve of quality IP can improve the competitive advantages of the Group's drama series production and enable the efficient and industrial production of drama series. The Group will continue to focus on IP development to deliver more premium content.



BUSINESS REVIEW AND PROSPECTS (CONT'D)

Actively promoting external growth

The Group actively promotes external growth and coordinated development of upstream and downstream of the industrial chain through extensive external cooperation and quality industry resources integration. Benefiting from the Group's increasing brand influence, more and more excellent industry participants have joined the Group's ecosystem.

In the first half of 2021, the Group successfully established associates with top screenwriter(s) and director(s) to jointly explore long-term strategic cooperation, develop and produce high-quality content, further expand industrial chain resources and content reserves, and provide continuous power for endogenous growth. The Group will also continue to use its comprehensive integration ability, seek high-quality partners with the same values and development strategies, improve the production capability and product quality of the content factory, and thus enhance its brand influence.

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

As of June 30, 2021, the Group had produced and/or distributed but yet to broadcast two TV series and two web series. The table below sets forth certain details of such drama series:

Name of the Drama Series	Genre	Director(s) and Major Cast Members	Role	Production Type	Status as of June 30, 2021	Expected Broadcasting Time
TV series						
My Bargain Queen (我的砍價女王)	Metropolitan romance	Zhou Xiaopeng (周曉鵬), Lin Gengxin (林更新), Wu Jinyan (吳謹言), Wu Qilong (吳奇隆)	Production and distribution	Adaptation	Post-production	2021
Party Group (黨小組)	Modern times revolution	Gong Zhaochui (龔朝暉), Zhang Luyi (張魯一), Nie Yuan (聶遠), Han Xue (韓雪)	Production and distribution	Adaptation	Post-production	2021
Web series						
Flying To The Moon (月歌行)	Period fantasy	Lin Jianlong (林健龍), Zhang Binbin (張彬彬), Xu Lu (徐璐)	Production	Adaptation	Post-production	2021
Handsome Young Master (公子傾城)	Period romance	Li Yang (李陽), Bu Guanjin (卜冠今), Wang Xingyue (王星越)	Production	Adaptation	Post-production	2021

BUSINESS REVIEW AND PROSPECTS (CONT'D)

The Group's Drama Series to be Broadcasted and the Group's Pipeline Drama Series Projects (cont'd)

As of June 30, 2021, the Group had nine TV series and six web series that had applied for public record and registered with the local counterparts of the NRTA. The table below sets forth certain details of the Group's pipeline drama series projects:

Proposed Name of the Drama series	Genre	Copyright Ownership	Status as of June 30, 2021	Time of Public Record
TV series				
The Bachelors (追愛家族)	Metropolitan	The Group	Under production	2021
Legend of Bikini (乘風踏浪)	Metropolitan	The Group	Pre-production	2021
Trap Thieves (鬥賊)	Crime	Partner	Pre-production	2020
In The Name Of Handsome (以英俊之名)	Metropolitan	The Group	Pre-production	2021
On The Silent And Lonely Stream (在寂與寞的川流上)	Metropolitan	The Group	Pre-production	2021
My Mr. Cat (我的貓先生)	Metropolitan	The Group	Pre-production	2020
The Wind And Moon (風月同朝)	Period Legend	Jointly owned with its co-investor	Pre-production	2020
Love is a Thief (謝你不娶之恩)	Metropolitan	The Group	Pre-production	2020
Hello Baby (你好寶貝)	Metropolitan	The Group	Pre-production	2018
Web Series				
My Girlfriend is The Antidote (我的女友是解藥)	Metropolitan	The Group	Under production	2020
Our Destiny In Self-Redemption (浮圖緣)	Period Legend	The Group	Under production	2020
Kunio Warriors Of Sky And Song (天行九歌之國士無雙)	Period Legend	The Group	Pre-production	2021
Summer Flower (夏花)	Metropolitan	The Group	Pre-production	2021
Romance of Two Kingdoms in East Yangtze (鳶弈長洲)	Period Legend	Jointly owned with its co-investor	Pre-production	2020
Diary on Wage Hike (加薪日記)	Metropolitan	The Group	Pre-production	2020



BUSINESS REVIEW AND PROSPECTS (CONT'D)

Business Analysis by Business Line

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

In the first half of 2021, the Group continued to strengthen its production and distribution capability. The Group broadcasted seven drama series during the first half of 2021, including Vacation Of Love (假日暖洋洋) and One Boat One World (海洋之城). The Group's revenue generated from licensing of broadcasting rights of drama series remained relatively stable at RMB483.7 million for the six months ended June 30, 2021 as compared with RMB483.1 million for the six months ended June 30, 2020. The Group's gross profit margin of licensing of broadcasting rights of drama series increased from 24.1% for the six months ended June 30, 2020 to 43.9% for the six months ended June 30, 2021, primarily attributable to a further decrease in the production cost of drama series due to the platform business model and the Group's ability to grasp the opportunities in the market.

The Group's drama series previously broadcasted has been widely recognized by the audience. Both Unbending Will (石頭開花) and Inside Man (局中人), which were broadcasted in 2020, won the 2020-2021 Jiangsu Province TV Series Award (2020-2021年度江蘇電視劇獎) from Jiangsu Provincial Radio and Television Administration (江蘇省廣播電視局) and Global Recommended Drama series (環球推薦劇集) selected by the Global Times (環球時報).

The Group is committed to providing more quality contents to the public. As of June 30, 2021, the Group had a number of drama series that were under production or at the pre-production stage.

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

The Group has produced made-to-order drama series per online video platforms' order since 2017. With the continuous deepening of the platform business model, the Group's made-to-order drama series production achieved a rapid growth. The Group delivered two made-to-order drama series to iQIYI, namely the fantasy drama series, Spirit Realm (靈域), and group portrait drama series regarding foreign medical aid, Breath Of Destiny (一起深呼吸) in the first half of 2021. The Group has been actively attempting to weave various elements into its drama series. For instance, a large number of special effects was added to Spirit Realm (靈域), a fantasy drama series, in the filming and post-production stage to create a spirit realm world; while Breath Of Destiny (一起深呼吸) told the story about how Chinese doctors dispatched for foreign medical aid keep their professionalism and show the nation's image under harsh circumstances and environment.

The Group's revenue generated from the production of made-to-order drama series increased from RMB84.9 million for the six months ended June 30, 2020 to RMB457.7 million for the six months ended June 30, 2021, primarily attributable to the simultaneous increase in the number and the investment scale of made-to-order drama series. The Group's gross profit margin of production of made-to-order drama series decreased from 16.7% for the six months ended June 30, 2020 to 3.6% for the six months ended June 30, 2021, primarily attributable to the higher post-production cost for Spirit Realm (靈域).

With the rapid growth of online video platforms in terms of the revenue as well as the investment on video content, online video platforms have increased their presence in the drama series production sectors. Made-to-order drama series has become one of the mainstream cooperation models between drama series producers and online video platforms. Through this cooperation model, an online video platform will be able to make full use of external resources to produce its own drama series, and at the same time to participate in the whole production and quality control process of the drama series. Meanwhile, drama series producers will be able to mitigate the pressure on their working capital, to certain extent, at the early stage of the drama series production by capital injection or investment from online video platforms, and lock the distribution channel for the drama series to create a win-win situation. The Group will continue to seize the opportunities from the online video platforms so as to develop its made-to-order drama series business. As of June 30, 2021, the Group had two made-to-order drama series, which were in post-production stage and expected to be broadcasted in 2021. In addition, the Group had a number of drama series that were under production or at the pre-production stage.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Business Analysis by Business Line (cont'd)

(iii) Others

The Group's other business primarily includes (i) investing in drama series as a non-executive producer; (ii) providing product placement opportunities for advertisers; (iii) special effects editing and other post-production work for films and drama series undertaken by a subsidiary of the Group, Nova Film; (iv) assignment of copyright of IP license(s) held by the Group to the independent third party/parties; and (v) awards for drama series.

OUTLOOK

With the rapid development of information technology and the increasing demand for cultural output, and driven by modern information media, the Group believes that cultural and entertainment industry in China will gradually become one of the important pillars of the development of the digital economy.

Looking forward, the Group will continue to deepen its platform business model and strengthen the service capability as a "comprehensive middle platform" to promote its own resource integration capability, production quality control capability and brand influence, so as to further expand and enhance the cooperation cohesion with excellent industry players, and strengthen quality contents for effective development and scale production effect, which will in turn achieve continuous stable organic growth. The Group will also continue to expand its new business and new segment layout in the cultural and entertainment industry, unleash the value of the entire industry chain to extend our business in a timely manner, and explore derivative opportunities arising from content innovation to realize external growth and diversified monetization.

As of the date of this report, the Group is in the process of producing several drama series of different genre, including but not limited to, metropolitan drama series, *My Girlfriend is The Antidote* (我的女友是解藥), starring Jia Yi (嘉羿) and Jin Zixuan (金子璇); *The Bachelors* (追愛家族) starring Guo Jingfei (郭京飛), Jia Nailiang (賈乃亮), Tan Zhuo (譚卓) and Xiong Ziqi (熊梓淇); *Legend of Bikini* (乘風踏浪), starring Qiao Shan (喬杉) and Yang Zishan (楊子姍); crime drama series, *Trap Thieves* (鬥賊), starring Huang Jingyu (黃景瑜) and Xiu Rui (修睿); and period legend drama series, *Our Destiny In Self-Redemption* (浮圖緣), starring Wang Hedi (王鶴棣) and Chen Yuqi (陳鈺琪); *Please Bestow The Sedan Chair* (請君賜轎), starring Ren Jialun (任嘉倫) and Li Qin (李沁); and plans to make them be broadcasted in the near future. Moreover, the Group has also prepared to produce drama series for the audience from lower-tier cities to meet the audience's demand for niche content. The Group also continues to develop IP content including but not limited to *On The Silent And Lonely Stream* (在寂與寞的川流上) by Meiyuzhe (寐語者) and *Two Capitals* (兩京十五日) by Ma Boyong (馬伯庸) co-developed with CS-BOOKY (博集天卷).

The Group will continue to seek cooperation within the existing content segments industry chain, expand content segments, tap into D2C content market, and develop operation and management services for excellent industry talents and artists. In particular, the Group will continue to seek cooperation with excellent content providers in the content segments to develop quality content, and actively explore business and/or equity cooperation with other quality companies on the other content segments and D2C content segments. The Group will also continue to look for quality industry talents and artists, and empower the production of quality content by providing professional operation and management services.

The Group is committed to enabling the public enjoy diversified and eye-catching exciting content.



IMPACT OF COVID-19

There has been an outbreak of an infectious disease caused by COVID-19. The disease quickly spread across the country and materially and adversely affected the global economy. The outbreak has endangered the health of many people residing in China and significantly disrupted travel and the local economy across the country. The development of such epidemic in China is beyond the Group's control. The Group adopted a strict disease prevention scheme to reduce the risk of its employees from infection of COVID-19. The measures implemented include ventilating the workplaces, daily monitoring the body temperature of employees, organizing nucleic acid testing for all employees and conducting regional home office work in accordance with the epidemic policy.

The Group does not expect the outbreak of COVID-19 would have a significant impact on its business operations and financial condition primarily because its business activities mainly involve drama series production and the licensing of the broadcasting rights of drama series. Except for on-site filming of its drama series, the Group's early-stage preparations, screenwriters, post-production partners and employees can work remotely and communicate with one another through mobile phones, computers, the internet and other media tools to facilitate the progress of each project in a timely manner. Except for the costs in association with drama series, the Group's monthly fixed costs, such as employee expenses and rental expenses are relatively low.

Since the spread of COVID-19 in 2020, in addition to Breath Of Destiny (一起深呼吸), where the production was delayed for approximately 49 days and the Group incurred losses of approximately RMB1.1 million as a result of the spread of COVID-19, there has been no material adverse impact on the on-site filming and/or production of its drama series. Breath Of Destiny (一起深呼吸) had been broadcasted on March 2021.

As of the date of this report, the spread of COVID-19 in China has still occurred but the recurrence would not materially and adversely affect the cost of the drama series being filmed by the Group. If COVID-19 continues to spread in the second half of 2021 or the PRC government authorities prohibit it from filming its drama series to avoid a new wave of infections, such events may cause the filming drama series suspended and the process of drama series at pre-production stage delayed, and in turn affect the business operations and financial position of the Group. The Group has business contingency plans in place, including (i) as of the date of this report, several drama series of the Group are to be broadcasted successively; (ii) leveraging its strong distribution capability, the Group would seek re-run distribution opportunities for its self-produced drama series and expand its business of licensing of broadcasting rights of outright-purchased drama series, in order to maintain the Group's results of operations and financial positions.

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

INTERIM PERIOD REVIEW

Condensed consolidated statement of profit or loss

	Six months ended June 30,	
	2020	2021
	RMB in thousands	
REVENUE	579,832	974,983
Cost of sales	(444,190)	(741,261)
Gross profit	135,642	233,722
Other income and gains	10,448	17,831
Selling and distribution expenses	(32,364)	(76,286)
Administrative expenses	(29,831)	(30,555)
Other expenses	–	(622)
Finance costs	(5,513)	(5,426)
Share of profits and losses of joint ventures	–	(1,082)
Changes in fair value of financial liabilities at fair value through profit or loss	(3,720)	(1,610)
PROFIT BEFORE TAX	74,662	135,972
Income tax expense	(20,534)	(41,492)
PROFIT FOR THE PERIOD	54,128	94,480
Attributable to:		
Owners of the parent	54,128	94,147
Non-controlling interests	–	333
	54,128	94,480
NON-HKFRS MEASURE⁽¹⁾		
Adjusted net profit ⁽²⁾	72,081	108,367



INTERIM PERIOD REVIEW (CONT'D)

Condensed consolidated statement of profit or loss (cont'd)

Notes:

- (1) To supplement its financial information which are presented in accordance with HKFRS, the Group also uses adjusted net profit as an additional financial measure, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. The Group believes that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of its operating performance. The Group believes that this measure provides useful information to investors and others in understanding and evaluating its results of operations in the same manner as it helps the Group's management. However, the Group's presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under HKFRS.
- (2) The Group defines adjusted net profit as profit for the period adjusted by adding back changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expense and/or listing expenses incurred during the respective period. The Group eliminates the potential impacts of these items that the management does not consider to be indicative of the Group's operating performance, as they are either non-operating or one-off expenses. Changes in fair value of financial liabilities at fair value through profit or loss and equity-settled share award expense are also non-cash items and unrelated to the Group's principal business, and therefore are not indicative of its profit from operations post-completion of the Listing. In particular, changes in fair value of financial liabilities at fair value through profit or loss refer to redeemable preferred shares, which were converted into ordinary shares immediately prior to the Listing and are not expected to recur after such conversion. Listing expenses are one-off expenses relating to the Listing.

Revenue

The Group's revenue increased from RMB579.8 million for the six months ended June 30, 2020 to RMB975.0 million for the six months ended June 30, 2021, primarily attributable to the increase in revenue generated from production of made-to-order drama series in line with its business development in such business line. The following table sets forth the Group's revenue by business line in the first half of 2020 and 2021.

	Six months ended June 30,			
	2020		2021	
	(RMB in thousands, except percentages of revenue)			
Licensing of the broadcasting rights of drama series	483,136	83.4%	483,704	49.6%
Made-to-order drama series production	84,906	14.6%	457,664	46.9%
Others	11,790	2.0%	33,615	3.5%
Total	579,832	100%	974,983	100%

Licensing of the broadcasting rights of drama series

The Group's revenue generated from licensing of broadcasting rights of drama series remained relatively stable at RMB483.7 million for the six months ended June 30, 2021 as compared with RMB483.1 million for the six months ended June 30, 2020. The Group broadcasted seven drama series including Vacation of Love (假日暖洋洋) and One Boat One World (海洋之城) in the first half of 2021.

INTERIM PERIOD REVIEW (CONT'D)

Revenue (cont'd)

Made-to-order drama series production

The Group's revenue generated from production of made-to-order drama series increased from RMB84.9 million for the six months ended June 30, 2020 to RMB457.7 million for the six months ended June 30, 2021, primarily due to the changes in the market conditions and its business strategy. As made-to-order drama series production gradually became a main source of content for online video platforms in recent years, the price of made-to-order drama series increased accordingly. The Group delivered Spirit Realm (靈域) and Breath Of Destiny (一起深呼吸) to online video platforms in the first half of 2021, both of which were drama series with larger scale investment compared to Customer First (獵心者) delivered in the same period of 2020.

Others

Others primarily comprise revenues from (i) the net licensing fees received from investments in drama series as a non-executive producer; (ii) product placements for advertisers; (iii) special effects editing and other post-production work for films and drama series generated by Nova Film, a company the Group acquired as subsidiary in June 2020; (iv) the assignment fee received from the copyright of an IP license; and (v) awards for drama series.

Gross Profit and Gross Profit Margin

The Group's gross profit increased significantly by 72.3% from RMB135.6 million for the six months ended June 30, 2020 to RMB233.7 million for the six months ended June 30, 2021. The Group's gross profit margin increase slightly to 24.0% for the six months ended June 30, 2021 from 23.4% for the six months ended June 30, 2020, primarily due to the combined effect of (i) a decrease in the production cost of drama series due to the platform business model; (ii) an increase of gross profit margin of drama series due to great market opportunities; partially offset by (iii) a relatively low gross profit margin of Spirit Realm (靈域), mainly attributable to a higher post-production cost of such fantasy genre.

The following table sets forth the Group's gross profit and gross profit margin by business line in the first half of 2020 and 2021.

	Six months ended June 30,			
	2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
(RMB in thousands, except gross profit margin)				
Licensing of the broadcasting rights of drama series	116,502	24.1%	212,394	43.9%
Made-to-order drama series production	14,151	16.7%	16,299	3.6%
Others	4,989	42.3%	5,029	15.0%
Total	135,642	23.4%	233,722	24.0%



INTERIM PERIOD REVIEW (CONT'D)

Other Income and Gains

Other income and gains increased by 70.7% or approximately RMB7.4 million from RMB10.4 million for the six months ended June 30, 2020 to RMB17.8 million for the six months ended June 30, 2021. This was primarily attributable to the increase in government grants of RMB4.9 million and the increase in bank interest income of RMB2.3 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased significantly by 135.7% to RMB76.3 million for the six months ended June 30, 2021 from RMB32.4 million for the six months ended June 30, 2020, primarily because the number of drama series incurring advertising expenses of over RMB1.0 million increased from three in the first half of 2020 to seven in the same period of 2021, most of which were distributed to TV channels or online video platforms and the Group undertook the responsibility of promoting such drama series.

Administrative Expenses

The Group's administrative expenses remained relatively stable at RMB30.6 million for the six months ended June 30, 2021 as compared with RMB29.8 million for the six months ended June 30, 2020, primarily due to (i) the increase in the equity-settled share award expense of RMB6.4 million, which represents share-based compensation expense incurred in relation to its Pre-IPO Share Option Scheme in 2020, (ii) the decrease in listing expenses of RMB8.4 million, and (iii) the increase in the professional services expenses of RMB2.9 million.

Finance Costs

The Group's finance costs remained relatively stable at RMB5.5 million for the six months ended June 30, 2020 and RMB5.4 million for the six months ended June 30, 2021, primarily due to the increase in interest on bank loans of RMB1.6 million in line with the increase in bank loans of RMB38.0 million, partially offset by the decrease in interest on borrowings from a related party of RMB1.2 million due to the repayment of the borrowings from Beijing iQIYI.

INTERIM PERIOD REVIEW (CONT'D)

Income Tax Expense

The Group's income tax expense increased by 102.1% to RMB41.5 million for the six months ended June 30, 2021 from RMB20.5 million for the six months ended June 30, 2020, primarily due to (i) the increase in taxable profit made in the first half of 2021, and (ii) the increase of deferred tax expense which were primarily impacted by the decrease of accrued expenses.

Non-HKFRS Measure

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



INTERIM PERIOD REVIEW (CONT'D)

Non-HKFRS Measure (cont'd)

The Group defines adjusted net profit as profit for the period adjusted by adding back changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expense and/or listing expenses incurred during the respective period. The Group eliminates the potential impacts of these items that the management does not consider to be indicative of the Group's operating performance, as they are either non-operating or one-off expenses. Changes in fair value of financial liabilities at fair value through profit or loss and equity-settled share award expense are also non-cash items and unrelated to the Group's principal business, and therefore are not indicative of its profit from operations post-completion of the Listing. In particular, changes in fair value of financial liabilities at fair value through profit or loss refer to redeemable preferred shares, which were converted into ordinary shares immediately prior to the Listing and are not expected to recur after such conversion. Listing expenses are one-off expenses relating to the Listing.

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

	Six months ended June 30,	
	2020	2021
	(RMB in thousands)	
Reconciliation of net profit to adjusted net profit		
Net profit for the period	54,128	94,480
Add:		
Changes in fair value of financial liabilities at fair value through profit or loss	3,720	1,610
Equity-settled share award expense	2,146	8,583
Listing expenses	12,087	3,694
Adjusted net profit	72,081	108,367

OTHER FINANCIAL INFORMATION

Consolidated statement of financial position (selected items)

	As of December 31, 2020	As of June 30, 2021
	(RMB in thousands)	
Total non-current assets	196,094	167,846
Total current assets	1,663,826	2,510,483
Total current liabilities	1,145,914	961,549
Net current assets	517,912	1,548,934
Total non-current liabilities	489,369	11,558
Net assets	224,637	1,705,222

Goodwill

The Group's goodwill was RMB113.0 million as of June 30, 2021 and December 31, 2020.

Other Intangible Assets

The Group's other intangible assets decreased from RMB26.2 million as of December 31, 2020 to RMB25.3 million as of June 30, 2021, primarily due to the amortization of intangible assets.

Financial Liabilities at Fair Value through Profit or Loss

The Group's financial liabilities at fair value through profit or loss decreased by 100% from RMB475.4 million as of December 31, 2020 to nil as of June 30, 2021, primarily because the financial liabilities at fair value through profit or loss refer to redeemable preferred shares, which have been converted into ordinary shares immediately prior to the Listing.



INTERIM DIVIDEND

The Board has resolved not to recommend payment of an interim dividend for the six months ended June 30, 2021.

CAPITAL STRUCTURE, LIQUIDITY AND CAPITAL RESOURCES

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

On February 7, 2021, the over-allotment option described in the Prospectus was fully exercised in respect of an aggregate of 24,867,000 Shares, representing 15% of the total number of the offer shares initially available under the global offering (before any exercise of the over-allotment option). The over-allotment shares were allotted and issued by the Company at HK\$5.88 per Share on February 10, 2021. Immediately after the completion of the issue and allotment of the over-allotment shares, the Company had 687,967,000 ordinary shares of US\$0.000025 each. There has been no movement in the issued Shares of the Company since then. For details, please refer to the announcement of the Company dated February 7, 2021.

The Company maintained a healthy financial position in the first half of 2021. The Group's total assets increased from RMB1,859.9 million as of December 31, 2020 to RMB2,678.3 million as of June 30, 2021, whilst the Group's total liabilities decreased from RMB1,635.3 million as of December 31, 2020 to RMB973.1 million as of June 30, 2021. The Group's liabilities-to-assets ratio decreased from 87.9% as of December 31, 2020 to 36.3% as of June 30, 2021.

Historically, the Group financed its capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, net proceeds received from global offering and capital contributions from Shareholders. As of June 30, 2021, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounted to RMB1,548.9 million and RMB748.0 million, respectively, as compared to RMB517.9 million and RMB95.6 million, respectively, as of December 31, 2020.

As of June 30, 2021, all of the cash and cash equivalents of the Group were denominated in RMB, HK\$ and US\$.

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

As of June 30, 2021, the Group's total interest-bearing bank and other borrowings were approximately RMB184.5 million, all of which were denominated in RMB.

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

As of June 30, 2021, the Group did not have any significant contingent liabilities.

Capital Expenditure

The Group's capital expenditures primarily included purchase of property, plant and equipment. The Group's capital expenditures decreased to RMB0.4 million in the first half of 2021 from RMB1.6 million in the first half of 2020. The Group plans to fund its planned capital expenditures using cash generated from operations as well as the net proceeds from the global offering.

CAPITAL STRUCTURE, LIQUIDITY AND CAPITAL RESOURCES (CONT'D)

Financial Ratio

Current Ratio

The Group's current ratio increased from 1.45 as of December 31, 2020 to 2.61 as of June 30, 2021, primarily because of the decrease in its current liabilities and the increase in its current assets from December 31, 2020 to June 30, 2021.

Debt to Equity Ratio⁽¹⁾

The Group's debt to equity ratio was 64.2% as of December 31, 2020 and not applicable as of June 30, 2021 as the ratio became negative, primarily due to the decrease in its net debt which was primarily attributable to the decrease in amounts due to a joint venture and the significant increase in cash and cash equivalents.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as the disposal of Nanjing Huawei set out in Note 13 to the interim condensed consolidated financial information, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2021. As of June 30, 2021, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

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

SIGNIFICANT LITIGATION

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

PLEDGE OF ASSETS

As of June 30, 2021, the Group's trade receivables, with an aggregate net carrying value of approximately RMB769,547,000 (December 31, 2020: RMB379,791,000), and the pledged deposit amounting to RMB30,000,000 (December 31, 2020: RMB30,000,000) were pledged to secure the bank loans granted to the Group.

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



RISK MANAGEMENT

Credit Risk

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

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

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

Liquidity Risk

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

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2021, the Group had 79 employees, including 50 based in Jiangsu Province, 21 based in Beijing, 3 based in Xinjiang Uyghur Autonomous Region, 2 based in Zhejiang Province and 3 based in Hainan Province. The following table shows a breakdown of the employees by function as of June 30, 2021:

Functions	Number of Employees	% of Total Employees
Management	4	5.1%
Production	22	27.9%
Investment	3	3.8%
Distribution	4	5.1%
Casting	1	1.3%
Marketing and promotion	5	6.3%
Government affairs	1	1.3%
Finance and legal	14	17.7%
Administrative	8	10.1%
Research and development	17	21.4%
Total	79	100.0%

For the six months ended June 30, 2021, total staff remuneration expenses including Directors' remuneration amounted to RMB5.0 million. Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other employee benefits primarily include social insurance and housing provident contributions made by the Group, performance-based compensation and discretionary bonus.

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

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

The Group contributes to social security insurance and housing provident funds for its employees in accordance with applicable PRC laws, rules and regulations.



Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

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

REVIEW OF INTERIM REPORT

The Audit Committee has, together with the management, reviewed the accounting principles and policies adopted by the Group and the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2021, and has recommended for the Board's approval thereof. The unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2021 has not been reviewed by the auditor of the Company.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company issued 165,780,000 ordinary shares at HK\$5.88 which were listed on the Main Board of the Stock Exchange on January 15, 2021 and issued 24,867,000 ordinary shares at HK\$5.88 upon the full exercise of the over-allotment option, which were listed on the Main Board of the Stock Exchange on February 10, 2021. The nominal value of the ordinary Shares is US\$0.000025 per Share.

The net proceeds from the global offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the global offering, amounted to approximately HK\$1,071.1 million, which will be utilized in accordance with the purposes as set out in the Prospectus. The following table sets out the intended use of the net proceeds, actual usage up to the end of the Reporting Period as well as the expected timeline for utilization:

	Net proceeds from the global offering and utilization				Expected timeline for utilization ⁽¹⁾		
	Percentage of the net proceeds from the global offering	Amount available for utilization HK\$ in million	Amount utilized during the Relevant Period HK\$ in million	Remaining amount as at June 30, 2021 HK\$ in million			
Funding the drama series production of the Group							
Our Destiny In Self-Redemption (浮圖緣)		76.5	76.5	-	-		
Flying To The Moon (月歌行)		100.8	100.8	-	-		
Handsome Young Master (公子傾城)		38.6	38.6	-	-		
Hello Baby (你好寶貝)		57.0	-	57.0	In the second quarter of 2022 ⁽²⁾		
My Mr. Cat (我的貓先生)		68.6	4.1	64.5	In the third quarter of 2021		
Steal His Heart (偷走他的心)		68.6	0.1	68.5	In the first quarter of 2022		
The Wind Catcher (捕風者)		87.1	1.1	86.0	In 2022		
Two Capitals (兩京十五日)		252.6	-	252.6	In 2022		
Sub-total	70.0%	749.8	221.2	528.6			



USE OF PROCEEDS FROM THE GLOBAL OFFERING (CONT'D)

	Net proceeds from the global offering and utilization				Expected timeline for utilization ⁽¹⁾		
	Percentage of the net proceeds from the global offering	Amount available for utilization HK\$ in million	Amount utilized during the Relevant Period HK\$ in million	Remaining amount as at June 30, 2021 HK\$ in million			
Funding potential investment in, or merger and acquisition of, companies that may enhance the Group's market position and ramp up the Group's drama series development, production and distribution	10.0%	107.1	-	107.1	Around 2023		
Securing more IPs to guarantee the stable growth of the Group's drama series production and distribution by acquiring one premium copyright company which focuses on investment, development, production and distribution of web series	10.0%	107.1	-	107.1	Around 2023		
Working capital and general corporate purposes	10.0%	107.1	107.1	-	-		
Total	100.0%	1,071.1	328.3	742.8			

Note:

- (1) The expected timeline for the usage of the remaining proceeds is made based on the best estimate of the Group's future market conditions, which is subject to the current and future development of the market conditions.
- (2) Due to the change in the shoot progress, the expected timeline for utilization of the net proceeds has been delayed accordingly.

During the Relevant Period, the Group has utilized net proceeds of HK\$328.3 million from the global offering. The remaining net proceeds were deposited in banks as of the date of this report. On September 15, 2021, the Board has resolved to re-allocate part of the unutilized net proceeds from the global offering of approximately HK\$635.7 million (approximately 59.4% of the net proceeds), of which (i) HK\$528.6 million originally intended to be used for funding the production of Hello Baby (你好寶貝), My Mr. Cat (我的貓先生), Steal His Heart (偷走他的心), The Wind Catcher (捕風者) and Two Capitals (兩京十五日) was re-allocated to funding the production of Trap Thieves (鬥賊), Legend Of Bikini (乘風踏浪), Never Too Late (我的助理六十歲) and Please Bestow The Sedan Chair (請君賜轎); and (ii) HK\$107.1 million originally intended to be used for acquiring one premium copyright company which focuses on investment, development, production and distribution of web series was re-allocated to acquiring more premium IPs. For details, please refer to the announcement of the Company dated September 15, 2021 (the "Announcement"). The Group will gradually utilize the net proceeds from the global offering in accordance with the intended purposes as set out in the Prospectus and the Announcement.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

The changes in the information of Directors and chief executive of the Company since the publication of the 2020 annual report up to the date of this report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

- (1) Mr. Wang Jun resigned as a non-executive Director, and a member of the Audit Committee with effect from April 27, 2021 due to personal health reason, and Ms. Zeng Ying has been appointed as a non-executive Director and a member of the Audit Committee with effect from the same date. For details, please refer to the announcement of the Company dated April 27, 2021.
- (2) Mr. Zhang Senquan, an independent non-executive Director of the Company, ceased to be an independent non-executive director of Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司) (Stock Code: 6188.HK), with effect from June 2021. Mr. Zhang was appointed as the company secretary of China General Education Group Limited (中國通才教育集團有限公司) (Stock Code: 2175.HK, the shares of which have been listed on the Stock Exchange since July 2021) on October 19, 2020.
- (3) As of the date of this report, Mr. Wang Xiaohui held directorship in certain companies engaging in producing and/or distributing drama series, including Horgos Eternity Pictures Co., Ltd. (霍爾果斯萬年影業有限公司), Beijing Huaxi Taihe Film Co., Ltd. (北京華熙泰和影視有限公司), Beijing Haidong Mingri Film Culture Communication Co., Ltd. (北京海東明日影視文化傳播有限公司), Beijing Chinese Miracle Culture Technology Co., Ltd. (北京中文奇蹟文化科技有限公司), Dongyang Liubai Film Culture Co., Ltd. (東陽留白影視文化有限公司), Hainan Huoyubai Film Culture Media Co., Ltd. (海南火羽白影視文化傳媒有限公司) and Xiamen Taiyang Mingshan Film Culture Co., Ltd. (廈門泰洋明山影視文化有限公司). Mr. Wang was not involved in the daily management and operation of the Company and the aforementioned companies. As such, the directorship held by Mr. Wang would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Save as disclosed above, there have been no changes in the information of Directors and chief executive of the Company since the publication of the 2020 annual report up to the date of this report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As of June 30, 2021, the interest or short position of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:



INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONT'D)

Interests in the Shares of the Company

Name of Director	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding ⁽¹⁾
Mr. Liu	Founder of a discretionary trust ⁽²⁾	290,480,000	42.22%
	Interest held through voting powers entrusted by other persons ⁽³⁾	109,520,000	15.92%
Ms. Zhai	Founder of a discretionary trust ⁽⁴⁾	32,000,000	4.65%

Notes:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as of June 30, 2021 (without taking into account the Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Options).
- (2) Leading Glory is owned as to (i) 99% by Master Genius, the holding vehicle used by Family Trust Singapore, the trustee of the LXF Family Trust which is a discretionary trust established by Mr. Liu as the settlor and protector and Mr. Liu's wholly-owned holding company Master Sagittarius as the beneficiary; and (ii) 1% by Master Sagittarius which is wholly owned by Mr. Liu. Accordingly, each of Master Sagittarius, Master Genius and Mr. Liu is deemed to be interested in all the Shares held by Leading Glory.
- (3) Pursuant to the Voting Arrangement Agreements, Mr. Liu, Master Sagittarius and Leading Glory are able to exercise voting rights entrusted from the other signing parties and are therefore deemed to be interested in the shareholding interest in the Company held by the other signing parties by virtue of the SFO. For further details, see "History, Reorganization and Corporate Development — Voting Arrangement and Lock-up Arrangements" in the Prospectus.
- (4) Golden Basin is owned as to (i) 99% by Smart Century, the holding vehicle used by Family Trust Singapore, the trustee of the Gold Fish Trust which is a discretionary trust established by Ms. Zhai as the settlor and protector and Ms. Zhai's wholly-owned holding company Gold Fish as the beneficiary; and (ii) 1% by Gold Fish which is wholly owned by Ms. Zhai. Accordingly, each of Gold Fish, Smart Century and Ms. Zhai is deemed to be interested in all the Shares held by Golden Basin.

Interests in underlying Shares of the Company

Name of Director	Nature of interest	Number of underlying Shares subject to the Pre-IPO Share Options	Approximate percentage of shareholding ⁽¹⁾
Mr. Liu	Interest in a controlled corporation ⁽²⁾	37,648,000	5.47%

Notes:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as of June 30, 2021 (without taking into account the Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Options).
- (2) Gorgeous Horizon, being the beneficial owner of the Pre-IPO Share Options, is wholly owned by Success Tale which is wholly owned by Employee Trust Hong Kong, the trustee of the Strawbear Employee Trust. The Strawbear Employee Trust is a discretionary trust established by Mr. Liu as the settlor and protector and Mr. Liu's wholly-owned holding company Master Sagittarius as the beneficiary.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONT'D)

Interests in the associated corporation

Name of Director	Nature of interest	Name of associated corporation ⁽¹⁾	Approximate percentage of shareholding
Mr. Liu	Beneficial owner	Jiangsu Strawbear	77.9%
	Interest held through voting powers entrusted by other persons ⁽²⁾	Jiangsu Strawbear	22.1%
Ms. Zhang	Beneficial owner	Jiangsu Strawbear	1.0%
Ms. Zhai	Beneficial owner	Jiangsu Strawbear	0.1%

Notes:

- (1) Jiangsu Strawbear is deemed as a subsidiary of the Company under the Contractual Arrangements, and therefore is an associated corporation of the Company by virtue of the SFO.
- (2) Pursuant to the Voting Arrangement Agreements, Mr. Liu is able to exercise voting rights entrusted from the other signing parties and is therefore deemed to be interested in the shareholding interest in Jiangsu Strawbear held by the other signing parties by virtue of the SFO. For further details, see "History, Reorganization and Corporate Development — Voting Arrangement and Lock-up Arrangements" in the Prospectus.

Save as disclosed above, as of June 30, 2021, so far as it was known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be 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.



INTERESTS AND SHORT POSITIONS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As of June 30, 2021, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares 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 as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Master Sagittarius	Beneficiary of trust ⁽¹⁾	290,480,000	42.22%
Master Genius	Interest in a controlled corporation ⁽¹⁾	290,480,000	42.22%
Leading Glory	Beneficial interest ⁽¹⁾⁽²⁾	290,480,000	42.22%
Gorgeous Horizon	Beneficial interest ⁽¹⁾	37,648,000	5.47%
Success Tale	Interest in a controlled corporation ⁽¹⁾	37,648,000	5.47%
Employee Trust Hong Kong	Trustee ⁽¹⁾	37,648,000	5.47%
Ms. Liu	Founder of a discretionary trust ⁽³⁾	73,600,000	10.70%
Gold Pisces	Beneficiary of trust ⁽³⁾	73,600,000	10.70%
Beyond Vast	Interest in a controlled corporation ⁽³⁾	73,600,000	10.70%
Glesason Global	Beneficial interest ⁽³⁾	73,600,000	10.70%
Taurus Holding	Beneficial interest ⁽⁴⁾	97,320,000	14.15%
iQIYI, Inc.	Interest in a controlled corporation ⁽⁴⁾	97,320,000	14.15%
Baidu Holdings Limited	Interest in a controlled corporation ⁽⁴⁾	97,320,000	14.15%
Baidu, Inc.	Interest in a controlled corporation ⁽⁴⁾	97,320,000	14.15%
Li Yanhong	Interest in a controlled corporation ⁽⁴⁾	97,320,000	14.15%
Family Trust Singapore	Trustee ⁽¹⁾	290,480,000	42.22%
	Trustee ⁽³⁾	73,600,000	10.70%
	Trustee ⁽⁵⁾	32,000,000	4.65%
Ma Sean	Interest in a controlled corporation ⁽⁶⁾	122,672,000	17.83%
Snow Lake Capital (HK) Limited	Investment manager ⁽⁶⁾	122,672,000	17.83%
Snow Lake China Master Fund, Ltd.	Beneficial interest ⁽⁶⁾	81,000,000	11.77%
Snow Lake China Offshore Fund, Ltd.	Interest in a controlled corporation ⁽⁶⁾	81,000,000	11.77%

Notes:

- (1) Leading Glory is owned as to (i) 99% by Master Genius, the holding vehicle used by Family Trust Singapore, the trustee of the LXF Family Trust which is a discretionary trust established by Mr. Liu as the settlor and protector and Mr. Liu's wholly-owned holding company Master Sagittarius as the beneficiary; and (ii) 1% by Master Sagittarius which is wholly owned by Mr. Liu. Accordingly, each of Master Sagittarius, Master Genius and Mr. Liu is deemed to be interested in all the Shares held by Leading Glory.

Gorgeous Horizon, being the beneficial owner of the Pre-IPO Share Options, is wholly owned by Success Tale which is wholly owned by Employee Trust Hong Kong, the trustee of the Strawbear Employee Trust. The Strawbear Employee Trust is a discretionary trust established by Mr. Liu as the settlor and protector and Mr. Liu's wholly-owned holding company Master Sagittarius as the beneficiary.

INTERESTS AND SHORT POSITIONS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (CONT'D)

Notes: (cont'd)

- (2) Pursuant to the Voting Arrangement Agreements, Leading Glory is able to exercise voting rights entrusted from the other signing parties and is therefore deemed to be interested in the shareholding interest in the Company held by the other signing parties by virtue of the SFO. For further details, see "History, Reorganization and Corporate Development — Voting Arrangement and Lock-up Arrangements" in the Prospectus.
- (3) Glesason Global is owned as to (i) 99% by Beyond Vast, the holding vehicle used by Family Trust Singapore, the trustee of the LSS Family Trust which is a discretionary trust established by Ms. Liu as the settlor and protector and Ms. Liu's wholly-owned holding company Gold Pisces as the beneficiary; and (ii) 1% by Gold Pisces which is wholly owned by Ms. Liu. Accordingly, each of Gold Pisces, Beyond Vast and Ms. Liu is deemed to be interested in all the Shares held by Glesason Global.
- (4) Taurus Holding is wholly owned by iQIYI, Inc., which is owned as to 91.70% by Baidu Holdings Limited, a wholly-owned subsidiary of Baidu, Inc. Baidu, Inc. is owned as to 56.40% by Li Yanhong. Therefore, each of iQIYI, Inc., Baidu Holdings Limited, Baidu, Inc. and Li Yanhong is deemed to be interested in the Shares directly held by Taurus Holding by virtue of the SFO.
- (5) Golden Basin is owned as to (i) 99% by Smart Century, the holding vehicle used by Family Trust Singapore, the trustee of the Gold Fish Trust which is a discretionary trust established by Ms. Zhai as the settlor and protector and Ms. Zhai's wholly-owned holding company Gold Fish as the beneficiary; and (ii) 1% by Gold Fish which is wholly owned by Ms. Zhai. Accordingly, each of Smart Century, Gold Fish and Ms. Zhai is deemed to be interested in all the Shares held by Golden Basin.
- (6) Snow Lake Capital (HK) Limited is wholly owned by Ma Sean. Therefore, Ma Sean is deemed to be interested in the Shares held by Snow Lake Capital (HK) Limited by virtue of the SFO.

Snow Lake China Master Fund, Ltd. is owned as to 90.43% by Snow Lake China Offshore Fund, Ltd. Therefore, Snow Lake China Offshore Fund, Ltd. is deemed to be interested in the Shares held by Snow Lake China Master Fund, Ltd. by virtue of the SFO.

76,363,000 of 122,672,000 Shares are underlying Shares held through derivative interests. 46,309,000 Shares are currently held by Snow Lake Capital (HK) Limited, representing approximately 6.73% of the Shares in issue as of the date of this report.

Save as disclosed above, as of June 30, 2021, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PRE-IPO SHARE OPTION SCHEME

The Company approved and adopted the Pre-IPO Share Option Scheme on May 11, 2020 to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Board may determine any Directors and employees of any member of the Group (including nominees and/or trustees of any employee benefit trusts established for them), which the Board considers, in its sole discretion, have contributed to the Group, to take up options to subscribe for Shares. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme and the maximum entitlement of each participant under the Pre-IPO Share Option Scheme at any time shall not exceed 37,648,000 Shares, representing 5.68% of the Shares in issue as at the Listing Date and 5.47% of the total issued share capital of the Company as of the date of this report.



PRE-IPO SHARE OPTION SCHEME (CONT'D)

The Pre-IPO Share Option Scheme shall be valid and effective for a period commencing on May 11, 2020 and ending on December 21, 2020, being the latest practicable date prior to the printing of the Prospectus for the purpose of ascertaining certain information contained in the Prospectus, after which no further options shall be offered or granted, but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme. An option may be accepted by a participant within 10 business days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Pre-IPO Share Option Scheme. A nominal consideration of RMB1.00 is payable by a grantee upon acceptance of the grant of the options.

The subscription price in relation to each Share issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme shall be determined by the Board at its discretion and set out in the relevant offer, provided that it shall not be less than the nominal value of a Share as at the date of grant.

On May 11, 2020, an aggregate of 37,648,000 Pre-IPO Share Options, representing 5.68% of the Shares in issue as at the Listing Date and 5.47% of the total issued share capital of the Company as of the date of this report, had been conditionally granted to Mr. Liu, the founder of the Company, an executive Director and the chief executive officer of the Company, to recognize his significant contribution to the Group. As of the date of this report, all of the Pre-IPO Share Options were not exercised, cancelled, forfeited or lapsed, and remained outstanding.

For more details of the Pre-IPO Share Option Scheme, please refer to “D. Other Information – (1) Pre-IPO Share Option Scheme” of Appendix IV of the Prospectus of the Company and Note 22 to the interim condensed consolidated financial information.

RSU SCHEME

On September 15, 2021, the Company approved and adopted the RSU Scheme to (i) reward the Selected Participants for their contributions to the growth and development of the Group and to give incentives thereto in order to retain them for the continual development and long-term strategic goals of the Group; and (ii) provide additional rewards to top artists, who are scarce resources in the industry and play an important role in the production of drama series projects of the Group, to effectively motivate the artists who have long-term relationship with the Group, and to further attract talents and top artists in the industry, so as to promote the development of the Company. Eligible Participants of the RSU Scheme include (i) employees of the Company; (ii) senior management of subsidiaries of the Company; and (iii) business partners of the Group (including top artists such as directors, screenwriters, etc.) who the Board or the Committee or person(s) to which the Board has delegated its authority considers, in their sole discretion, have contributed or will contribute to the Group. No RSUs will be granted to any Excluded Person.

The RSU Scheme shall be valid and effective for a term of ten (10) years commencing from September 15, 2021. The total number of Shares underlying the RSUs to be granted to the Selected Participants pursuant to the RSU Scheme shall not exceed 20,639,010 Shares, representing approximately 3% of the total number of Shares in issue as at the adoption date, being September 15, 2021. For details, please refer to the announcement of the Company dated September 15, 2021.

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

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

EVENTS AFTER THE REPORTING PERIOD

On July 12, 2021, the Company announced that it has received the deeds of lock-up undertakings (the "**Deeds of Lock-up**") from certain shareholders of the Company (the "**Lock-up Shareholders**") (holding approximately 71.72% of the Shares in aggregate), including the controlling shareholders of the Company. For the purpose of expressing its confidence in the long-term development prospect of the Company, each of the Lock-up Shareholders has undertaken on a voluntary basis that they will not dispose (including but not limited to sell or pledge) the Shares beneficially, directly or indirectly, owned by them or their controlled entities for a period of 6 months from the date of the Deeds of Lock-up in accordance with the terms of the Deeds of Lock-up. For details, please refer to the announcement of the Company dated July 12, 2021.

Save as disclosed above and in this report, there was no significant event that might affect the Group after the Reporting Period.



Unaudited Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
REVENUE	5	974,983	579,832
Cost of sales		(741,261)	(444,190)
Gross profit		233,722	135,642
Other income and gains	5	17,831	10,448
Selling and distribution expenses		(76,286)	(32,364)
Administrative expenses		(30,555)	(29,831)
Other expenses		(622)	–
Finance costs	7	(5,426)	(5,513)
Share of profits and losses of joint ventures		(1,082)	–
Changes in fair value of financial liabilities at fair value through profit or loss		(1,610)	(3,720)
PROFIT BEFORE TAX	6	135,972	74,662
Income tax expense	8	(41,492)	(20,534)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		94,480	54,128
Attributable to:			
Owners of the parent		94,147	54,128
Non-controlling interests		333	–
		94,480	54,128
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	10	14.06 cents	13.53 cents
Diluted (RMB)	10	13.68 cents	11.97 cents

Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	7,582	9,411
Right-of-use assets		6,447	7,916
Goodwill		112,983	112,983
Other intangible assets	12	25,312	26,192
Investments in joint ventures	13	1,858	14,818
Deferred tax assets		13,664	24,774
Total non-current assets		167,846	196,094
CURRENT ASSETS			
Inventories	14	610,109	856,338
Trade and notes receivables	15	812,752	440,731
Prepayments, other receivables and other assets	16	286,617	238,840
Due from joint ventures	25(b)	22,985	–
Restricted cash		–	2,319
Pledged deposits	17	30,000	30,000
Cash and cash equivalents	17	748,020	95,598
Total current assets		2,510,483	1,663,826
CURRENT LIABILITIES			
Trade payables	18	333,481	238,351
Other payables and accruals	19	372,114	587,759
Interest-bearing bank and other borrowings	20	184,500	159,000
Lease liabilities		2,207	2,250
Due to a joint venture	25(b)	–	73,295
Tax payable		21,247	5,259
Dividend payable		48,000	80,000
Total current liabilities		961,549	1,145,914
NET CURRENT ASSETS		1,548,934	517,912
TOTAL ASSETS LESS CURRENT LIABILITIES		1,716,780	714,006



Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
<i>Note</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES	1,716,780	714,006
NON-CURRENT LIABILITIES		
Financial liabilities at fair value through profit or loss	–	475,428
Lease liabilities	3,871	5,270
Deferred tax liabilities	7,687	8,671
Total non-current liabilities	11,558	489,369
Net assets	1,705,222	224,637
EQUITY		
Equity attributable to owners of the parent		
Share capital	21 111	–
Reserves	1,704,036	223,707
	1,704,147	223,707
Non-controlling interests	1,075	930
Total equity	1,705,222	224,637

Mr. Liu Xiaofeng
Director

Mr. Chen Chen
Director

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Share award or option reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non controlling interests RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	-	-	10,097	13,320	52,680	147,610	223,707	930	224,637
Total comprehensive income for the period (unaudited)	-	-	-	-	-	94,147	94,147	333	94,480
Equity-settled share award expense (unaudited)	-	-	-	-	8,583	-	8,583	-	8,583
Issue of shares (unaudited)	95	933,365	-	-	-	-	933,460	-	933,460
Share issue expenses (unaudited)	-	(32,788)	-	-	-	-	(32,788)	-	(32,788)
Conversion of preferred shares to ordinary shares (unaudited)	16	477,022	-	-	-	-	477,038	-	477,038
Disposal of a subsidiary (unaudited)	-	-	-	-	-	-	-	(188)	(188)
At 30 June 2021 (unaudited)	111	1,377,599	10,097	13,320	61,263	241,757	1,704,147	1,075	1,705,222

Six months ended 30 June 2020

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share award or option reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 (audited)	-	-	10,000	8,089	41,951	134,411	194,451	-	194,451
Total comprehensive income for the period (audited)	-	-	-	-	-	54,128	54,128	-	54,128
Equity-settled share award expense (audited)	-	-	-	-	2,146	-	2,146	-	2,146
Acquisition of a subsidiary (audited)	-	-	-	-	-	-	-	971	971
Acquisition of non-controlling interests (audited)	-	-	97	-	-	-	97	(97)	-
Transfer to statutory reserve (audited)	-	-	-	6,250	-	(6,250)	-	-	-
At 30 June 2020 (audited)	-	-	10,097	14,339	44,097	182,289	250,822	874	251,696

* These reserve accounts comprise the consolidated reserves of RMB326,437,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2021.



Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		135,972	74,662
Adjustments for:			
Depreciation of property, plant and equipment	11	2,225	632
Depreciation of right-of-use assets	6	1,469	552
Amortisation of other intangible assets	12	880	28,402
Interest income from loans receivable	5	(1,106)	(6,788)
Share of profits and losses of joint ventures		1,082	–
Finance costs		5,426	5,287
Investment income from financial assets			
at fair value through profit or loss	5	(16)	–
Equity-settled share award expense	22	8,583	2,146
Changes in fair value of financial liabilities at fair value through profit or loss		1,610	3,720
Net foreign exchange differences	5	(6,681)	(677)
Gain on disposal of items of property, plant and equipment	5	–	(152)
Gain on disposal of an associate	5	–	(56)
Loss on disposal of a joint venture	6	622	–
Impairment of trade receivables	6	405	5,887
		150,471	113,615
Decrease in inventories		248,441	239,631
Increase in trade and notes receivables		(372,426)	(285,223)
(Increase)/decrease in prepayments, other receivables and other assets		(58,171)	55,131
Decrease in amount due from a related party		–	3,000
Decrease in restricted cash		2,319	54,294
Increase/(decrease) in trade payables		95,130	(33,937)
Decrease in other payables and accruals		(208,557)	(106,479)
Cash (used in)/generated from operations		(142,793)	40,032
Income tax paid		(10,022)	(28,206)
Net cash flows (used in)/from operating activities		(152,815)	11,826

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Net cash flows (used in)/from operating activities	(152,815)	11,826
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(396)	(1,644)
Proceeds from disposal of items of property, plant and equipment	–	242
Disposal of a joint venture	14,000	–
Disposal of a subsidiary	(402)	–
Disposal of an associate	–	356
Purchase of shareholding of joint ventures	(3,060)	–
Advances of loans to a third party	(17,000)	–
Advances of loans to joint ventures	(22,758)	–
Purchases of financial assets at fair value through profit or loss	(19,000)	–
Disposal of financial assets at fair value through profit or loss	19,000	–
Investment income received from financial assets at fair value through profit or loss	16	–
Interest received from loans receivable	4,900	–
Acquisition of subsidiaries, net of cash acquired	–	(29,313)
Repayment of advances of loans to third parties	10,600	50,498
Net cash flows (used in)/from investing activities	(14,100)	20,139
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from financial liabilities at fair value through profit or loss	–	108,250
Proceeds from issue of shares	933,460	–
Share issue expenses	(25,372)	–
New bank loans	14,500	–
Proceeds from due to a joint venture	–	20,000
Proceeds from other borrowing	11,000	–
Repayment of other borrowings	–	(110,000)
Repayment of due to a joint venture	(71,000)	–
Payment for deferred listing expenses	–	(3,687)
Dividend paid	(40,000)	(1,507)
Interest paid	(8,490)	(13,607)
Repayment of principal portion of lease liabilities	(1,442)	(468)
Net cash flows from/(used in) financing activities	(812,656)	(1,019)
NET INCREASE IN CASH AND CASH EQUIVALENTS	645,741	30,946
Cash and cash equivalents at beginning of period	95,598	52,349
Effect of foreign exchange rate changes, net	6,681	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	748,020	83,295
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	748,020	83,295
Cash and cash equivalents as stated in the consolidated statements of cash flows and consolidated statement of financial position	748,020	83,295



Notes to Interim Condensed Consolidated Financial Information

30 June 2021

1. CORPORATE INFORMATION

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

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

The shares of the company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 January 2021.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in RMB based on the Loan Prime Rate (“**LPR**”) in Mainland China as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months (the “**2021 Amendment**”). Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

During the reporting period, no lease payments for the leases of the Group’s buildings has been reduced or waived by the lessors. The amendment did not have any impact on the financial position and performance of the Group.



4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

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

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Customer 1	754,942	401,278
Customer 2	120,283	N/A*
Customer 3	N/A*	67,523
Customer 4	N/A*	60,708

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
<i>Revenue from contracts with customers</i>	974,983	575,004
<i>Revenue from other sources</i>		
Net licensing fee received from investments in drama series as a non-executive producer with share of copyrights	–	4,828
	974,983	579,832

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Type of goods or services		
Licensing of the broadcasting rights of drama series	483,704	483,136
Made-to-order drama series production	457,664	84,906
Others	33,615	6,962
Total revenue from contracts with customers	974,983	575,004

Geographical markets

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



5. REVENUE, OTHER INCOME AND GAINS (CONT'D)

Revenue from contracts with customers (cont'd)

(i) Disaggregated revenue information (cont'd)

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	488,873	490,098
Services transferred over time	486,110	84,906
Total revenue from contracts with customers	974,983	575,004

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Government grants (<i>note</i>)	7,265	2,415
Bank interest income	2,607	314
Investment income from financial assets at fair value through profit or loss	16	–
Investment income from the co-investment arrangements in drama series	1	5
Interest income from loans receivable	1,106	6,788
Net foreign exchange differences	6,681	677
Gain on disposal of items of property, plant and equipment	–	152
Gain on disposal of an associate	–	56
Others	155	41
	17,831	10,448

Note:

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

6. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Cost of inventories sold		741,261	415,790
Depreciation of property, plant and equipment	11	2,225	632
Depreciation of right-of-use assets		1,469	552
Amortisation of other intangible assets*	12	880	28,402
Government grants	5	(7,265)	(2,415)
Bank interest income	5	(2,607)	(314)
Investment income from financial assets			
at fair value through profit or loss	5	(16)	–
Interest income from loans receivable	5	(1,106)	(6,788)
Changes in fair value of financial liabilities at fair value through profit or loss		1,610	3,720
Lease payments not included in the measurement of lease liabilities		1,159	425
Net foreign exchange differences	5	(6,681)	(677)
Listing expenses		3,694	12,087
Auditor's remuneration		800	276
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		3,673	1,466
Pension scheme contributions		215	42
Staff welfare expenses		159	126
		4,047	1,634
Gain on disposal of items of property, plant and equipment	5	–	(152)
Share of profits and losses of joint ventures		1,082	–
Loss on disposal of a joint venture		622	–
Impairment of trade receivables	15	405	5,887

* The amortisation of other intangible assets is included in "Cost of sales" and "Administrative expenses" in the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income.



7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Interest on bank loans	4,703	3,145
Interest on other borrowings from third parties	543	864
Interest on borrowings from a related party	–	1,246
Interest expense under the co-investment arrangements in drama series	–	226
Interest on lease liabilities	180	32
	5,426	5,513

8. INCOME TAX

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

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

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

As stipulated in Cai Shui [2011] No. 112, enterprises newly established in Xin Jiang Kashgar/Horgos special economic areas during the period from 2010 to 2020 could enjoy Enterprise Income Tax (“EIT”) exemption for five years starting from the year in which the first revenue was generated. Horgos Strawbear enjoyed the benefit under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang 《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》，and was entitled to such EIT exemption for the year ended 31 December 2019. According to the Filing Record of Preferential EIT 《企業所得稅優惠事項備案表》，Horgos Strawbear obtained the approval from the PRC tax bureau for entitlement of EIT exemption from 1 January 2019 to 31 December 2023.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law. Nova Film is recognised as High and New Technology Enterprises and was entitled to a preferential tax rate of 15% during the period. Beijing Strawbear is recognised as Small and Low-profit Enterprises, and the first RMB1,000,000 of assessable profits of this subsidiary is taxed at 5% and the remaining assessable profits is taxed at 10% during the period.

8. INCOME TAX (CONT'D)

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

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Current – Mainland China		
Charge for the period	31,366	29,601
Deferred tax	10,126	(9,067)
Total tax charge for the period	41,492	20,534

9. DIVIDENDS

The Board did not declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).



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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the share subdivision on 11 May 2020 on the assumption that the share subdivision had been in effect on 1 January 2019.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect changes in fair value of financial liabilities at fair value through profit or loss, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 30 June 2021, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares arising from the Pre-IPO Share Option Scheme granted by the Company.

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

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	94,147	54,128
Less:		
Changes in fair value of financial liabilities at fair value through profit or loss	(1,610)	(3,720)
Profit attributable to ordinary equity holders of the parent, before changes in fair value of financial liabilities at fair value through profit or loss	95,757	57,848
	For the six months ended 30 June Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	669,648,768	400,000,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	30,500,887	83,448,729
	700,149,655	483,448,729

11.PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Carrying amount at beginning of period/year	9,411	2,665
Additions	396	2,569
Acquisition of a subsidiary	-	6,752
Depreciation provided during the period/year	(2,225)	(2,511)
Disposals	-	(64)
Carrying amount at end of period/year	7,582	9,411

12.OTHER INTANGIBLE ASSETS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Carrying amount at beginning of period/year	26,192	42,920
Additions	-	12,682
Amortization provided during the period/year	(880)	(29,410)
Carrying amount at end of period/year	25,312	26,192



13. INVESTMENTS IN JOINT VENTURES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Share of net assets	1,858	14,818

The Group's balances and transactions with the joint ventures are disclosed in note 25 to the financial statements.

Particulars of joint ventures are as follows:

Name	Place and date of incorporation and business	Nominal value of issued/registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Nanjing Huawen Strawbear Cultural Partnership (Limited Partnership) ("Nanjing Huawen")	PRC/Mainland China 29 November 2019	RMB71,000,000	19.72%	Production of drama series
Beijing Honeybear Entertainment Cultural Media Co., Ltd ("Beijing Honeybear")	PRC/Mainland China 10 September 2020	RMB3,000,000	51%	Cultural & artistic activities and performance agents
Xiangshan Xingyu Yinyue Culture Media Co., Ltd. ("Xingyu Yinyue")	PRC/Mainland China 19 November 2020	RMB5,000,000	51%	Cultural & artistic activities and performance agents
Hainan Miduoqi Entertainment Co., Ltd. ("Hainan Miduoqi")	PRC/Mainland China 22 June 2021	RMB3,000,000	49%	Cultural & artistic activities and performance agents

The joint venture, namely Nanjing Huawen, terminated operations and liquidated with the unanimous consent of all partners in May 2021, reclaiming the capital contribution of RMB14,000,000 and resulting in a net loss on disposal of RMB622,000 during the period.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Share of the joint venture's profits for the period	315	–
Share of the joint ventures' losses for the period	(1,397)	–
	(1,082)	–

14. INVENTORIES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Raw materials	115,969	78,631
Work in progress	479,846	331,339
Finished goods	14,294	446,368
	610,109	856,338

15. TRADE AND NOTES RECEIVABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade receivables	793,307	443,022
Notes receivable	32,141	10,000
	825,448	453,022
Impairment	(12,696)	(12,291)
	812,752	440,731

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



15. TRADE AND NOTES RECEIVABLES (CONT'D)

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 3 months	377,292	115,162
3 to 6 months	237,120	218,206
6 to 12 months	110,850	2,268
1 to 2 years	51,840	86,291
2 to 3 years	3,509	4,169
Over 3 years	–	4,635
	780,611	430,731

Included in the Group's trade receivables were amounts due from the Group's related parties of RMB499,701,000 (31 December 2020: RMB107,203,000), which were repayable on credit terms similar to those offered to the major customers of the Group.

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

The Group's trade receivables with an aggregate net carrying value of approximately RMB769,547,000 (31 December 2020: RMB379,791,000), were pledged to secure the bank loans granted to the Group.

Notes receivable of RMB32,141,000 (31 December 2020: RMB10,000,000), whose fair values approximate to their carrying values were classified as financial assets through other comprehensive income under HKFRS 9. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant during the reporting periods.

As at 30 June 2021, the Group endorsed certain notes receivable accepted by banks in Mainland China (the "Derecognised Notes") to certain of its suppliers in order to settle trade payables due to such suppliers with carrying amounts in aggregate of RMB30,850,000. The Derecognised Notes have a maturity of ten months at most as at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Prepayments	148,743	115,103
Prepayments under the co-investment arrangements	55,408	52,108
Deposits and other receivables	42,698	11,796
Loans receivable	22,608	20,182
Deductible input value-added tax	17,072	26,791
Prepaid income tax	88	5,444
Prepaid listing expenses	–	7,416
	286,617	238,840

17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Cash and bank balances	399,228	95,598
Time deposits	378,792	30,000
	778,020	125,598
Less: Pledged time deposits:		
Pledged for short term bank loans	30,000	30,000
Cash and cash equivalents	748,020	95,598

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods within one year depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.



18. TRADE PAYABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade payables	333,481	238,351

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 3 months	171,874	89,143
3 to 6 months	46,650	64,966
6 to 12 months	60,323	29,447
1 to 2 years	37,193	50,837
2 to 3 years	14,196	3,958
Over 3 years	3,245	–
	333,481	238,351

Included in the trade payables were trade payables of RMB58,111,000 (31 December 2020: RMB16,083,000), due to the Group's related parties which were repayable within 120 days, which represented credit terms similar to those offered by the related parties to their major customers.

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

19. OTHER PAYABLES AND ACCRUALS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Amount received under the co-investment arrangements without share of copyrights	–	11,517
Other payables	61,088	66,085
Other tax payables	15,670	26,990
Interest payable	1,240	308
Payroll and welfare payable	171	630
Accrued liabilities	27,609	71,223
Contract liabilities	266,336	411,006
	372,114	587,759

Included in contract liabilities are advances received from the Group's related parties of RMB264,940,000 (31 December 2020: RMB406,793,000).



20.INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2021 (Unaudited) RMB'000
Current			
Bank loans – secured (<i>note a</i>)	5.66	2021	130,000
Bank loans – secured (<i>note b</i>)	4.35	2021	19,000
Bank loans – secured (<i>note b, c</i>)	4.35	2022	4,500
Bank loans – unsecured	5.01	2021	10,000
Bank loans – unsecured	4.85	2022	10,000
Other borrowing – unsecured (<i>note d</i>)	10.00	2021	11,000
			184,500

	Effective interest rate (%)	Maturity	31 December 2020 (Audited) RMB'000
Current			
Bank loans – secured (<i>note a</i>)	5.66	2021	130,000
Bank loans – secured (<i>note b</i>)	4.35	2021	19,000
Bank loans – unsecured	5.01	2021	10,000
			159,000

20.INTEREST-BEARING BANK AND OTHER BORROWINGS (CONT'D)

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	173,500	159,000
Other borrowing repayable:		
Within one year or on demand	11,000	–
	184,500	159,000

Notes:

- (a) The Group's bank loans are secured by the pledge of certain of the Group's trade receivables amounting to RMB769,547,000 (31 December 2020: RMB379,791,000) and short term deposits amounting to RMB30,000,000 (31 December 2020: RMB30,000,000) and are guaranteed by subsidiaries.
- (b) The Group's bank loans are guaranteed by a subsidiary.
- (c) The amounts of RMB4,500,000 of bank loans were secured by a mortgage over the Group's patents which had an aggregate net carrying value of approximately RMB10,634,000 as at 30 June 2021.
- (d) The Group's other borrowing as at 30 June 2021 represented the financial investment in certain drama series received from a third party investor and is unsecured and repayable within one year.



21.SHARE CAPITAL

	30 June 2021 (Unaudited) US\$'000	31 December 2020 (Audited) US\$'000
Authorised:		
2,000,000,000 (31 December 2020: 2,000,000,000) ordinary shares of US\$0.000025 (31 December 2020: US\$0.000025) each	50	50
Issued and fully paid:		
687,967,000 (31 December 2020: 400,000,000) ordinary shares of US\$0.000025 (31 December 2020: US\$0.000025) each	18	10

The movement in the Company's share capital during the period is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2020 and 31 December 2020	400,000,000	–	–	–
Conversion of preferred shares issued to the then shareholders to ordinary shares (<i>note a</i>)	97,320,000	16	477,022	477,038
Issuance of shares on 15 January 2021 and 10 February 2021 (<i>note b</i>)	190,647,000	95	933,365	933,460
Share issue expenses	–	–	(32,788)	(32,788)
At 30 June 2021	687,967,000	111	1,377,599	1,377,710

Notes:

- (a) Upon completion of the initial public offering, each issued preferred share was converted into an ordinary share. As a result, the financial liabilities for preferred shares were derecognised and recorded as share capital and share premium.
- (b) On 15 January 2021, the Company was listed on the Main Board of the Stock Exchange and made a global offering of 165,780,000 ordinary shares (excluding any ordinary shares issued pursuant to the exercise of the over-allotment option) at the offer price of HK\$5.88 per share. Pursuant to the over-allotment option granted by the Company to the international underwriters, the Company allotted and issued 24,867,000 additional offer shares on 10 February 2021 at the offer price of HK\$5.88 per share.

22.SHARE AWARDS

On 11 May 2020, the Company adopted the Pre-IPO Share Option Scheme. Following the adoption of the Pre-IPO Share Option Scheme, 37,648,000 Pre-IPO Share Options, representing approximately 8% equity interests in the Company, were granted to Mr. Liu Xiaofeng, an executive director and the chief executive officer of the Company, to recognise his significant contribution to the Group. The Pre-IPO Share Options required no performance target except that Mr. Liu Xiaofeng remains as an employee of the Group during the vesting period.

The exercise price of the Pre-IPO Share Options is no less than its par value, which will be determined by the Board of Directors. 5% of the Pre-IPO Share Options is exercisable after 24 months from the date of the option scheme agreement; 10% of the Pre-IPO Share Options are exercisable after 36 months from the date of the share option scheme agreement; 15% of the Pre-IPO Share Options are exercisable after 48 months from the date of the option scheme agreement; 30% of the Pre-IPO Share Options are exercisable after 60 months from the date of the option scheme agreement and 40% of the Pre-IPO Share Options are exercisable after 72 months from the date of the option scheme agreement.

The following share options were outstanding under the Pre-IPO Share Option Scheme in 2020:

	Weighted average exercise price US\$ per share	Number of options '000
At 1 January 2020	–	–
Granted during the period	0.000025	37,648
At 31 December 2020	0.000025	37,648

The fair value of the Pre-IPO Share Options granted in 2020 was approximately RMB77,152,000, of which the Group recognised a share-based compensation expense of RMB8,583,000 during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB2,146,000).

The fair value of equity-settled share options granted in 2020 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2020
Expected volatility (%)	53.00
Risk-free interest rate (%)	2.02
Expected life of options (years)	10
Weighted average share price (US\$)	0.29
Forfeiture rate (%)	–

No other feature of the options granted was incorporated into the measurement of fair value.



23.DISPOSAL OF A SUBSIDIARY

	31 January 2021 RMB'000
Net assets disposed of:	
Prepayments, other receivables and other assets	48
Cash and cash equivalents	402
Other payables and accruals	(67)
Non-controlling interests	(188)
Gain on disposal of a subsidiary	–
	195
Satisfied by:	
Cash	–
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:	
Cash consideration	–
Cash and bank balances disposed of	402
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(402)

24.COMMITMENTS

The Group had the following commitments at the end of the reporting period:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Contracted, but not provided for:		
Broadcasting rights of drama series	11,989	45,977
Made-to-order drama series	61,088	139,134
	73,077	185,111

25. RELATED PARTY TRANSACTIONS

Details of the Company's related parties are as follows:

Company	Relationship with the Company
Liu Xiaofeng	The ultimate controlling shareholder
Zhao Min	Close family member of a shareholder
Nanjing Huawei	A joint venture of the Group
Hainan Miduoqi	A joint venture of the Group
Xingyu Yinyue	A joint venture of the Group
Beijing iQIYI Technology Co., Ltd. ("Beijing iQIYI")	An entity controlled by a shareholder
Beijing Qiyi Century Technology Co., Ltd. ("Qiyi Century")	An entity controlled by a shareholder
Beijing iQIYI Internet Technology Co., Ltd. ("iQIYI Internet")	An entity controlled by a shareholder
Hainan iQIYI Information Technology Co., Ltd. ("Hainan iQIYI")	An entity controlled by a shareholder
Shanghai Shaoyin Music Entertainment Co., Ltd. ("Shanghai Shaoyin")	An entity controlled by shareholders



25. RELATED PARTY TRANSACTIONS (CONT'D)

(a) The Group had the following transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Sales of goods to:			
Qiyi Century	(i)	–	2,288
iQIYI Internet	(i)	–	74,367
Beijing iQIYI	(i)	457,687	324,623
Hainan iQIYI	(i)	297,255	–
Purchases of goods from:			
Beijing iQIYI	(ii)	30,142	–
Borrowings from:			
Nanjing Huawei	(iv)	–	20,000
Repayments to:			
Beijing iQIYI	(iii)	–	100,000
Nanjing Huawei	(iv)	71,000	–
Interest expenses to:			
Beijing iQIYI	(iii)	–	1,246
Nanjing Huawei	(iv)	1,605	1,633
Loans to:			
Shanghai Shaoyin	(v)	–	3,000
Xingyu Yinyue	(vi)	22,750	–
Hainan Miduoqi	(v)	8	–
Repayments received:			
Zhao Min	(v)	–	3,000
Shanghai Shaoyin	(v)	–	3,000
Interest income from:			
Xingyu Yinyue	(vi)	227	–

25. RELATED PARTY TRANSACTIONS (CONT'D)

(a) The Group had the following transactions with related parties during the period (cont'd):

Notes:

- (i) The sales to related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.
- (iii) The Group obtained a loan from Liu Xiaofeng. Liu Xiaofeng transferred all rights and interest of the loan to Beijing iQIYI on 29 November 2018. The loan bore interest at 5% per annum, was guaranteed by Liu Xiaofeng and has been fully repaid by 31 December 2020.
- (iv) The Group obtained an unsecured loan from Nanjing Huawen to invest in drama series, while the amount of RMB30,000,000 bears interest at 10% per annum, the amount of RMB21,000,000 is interest-free, and the amount of RMB20,000,000 bears interest at 10% per annum, which has been fully repaid by 30 June 2021.
- (v) The Group provided loans to Zhao Min and Shanghai Shaoyin, and the loans were unsecured and interest-free and have been fully repaid by 31 December 2020. The Group also provided a loan to Hainan Miduoqi in 2021, and the loan is unsecured and interest-free.
- (vi) The Group provided a loan to Xingyu Yinyue in 2021, and the loan is unsecured and bears interest at 5% per annum.

(b) Outstanding balances with related parties:

(i) Trade receivables

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
iQIYI Internet	23,022	93,203
Beijing iQIYI	161,589	–
Hainan iQIYI	315,090	14,000
	499,701	107,203



25. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Outstanding balances with related parties (cont'd):

(ii) Trade payables

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Beijing iQIYI	57,191	15,163
iQIYI Internet	920	920
	58,111	16,083

(iii) Other payables and accruals

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Beijing iQIYI	264,940	406,793

(iv) Due to a joint venture

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Nanjing Huawen	-	73,295

25. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Outstanding balances with related parties (cont'd):

(v) Due from joint ventures

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Xingyu Yinyue	22,977	–
Hainan Miduoqi	8	–
	22,985	–

Except for the amount due to Beijing iQIYI and Nanjing Huawei as stated in note 25(a)(iii) and (iv) above and transactions detailed elsewhere in notes 15, 18 and 19, the balances with related parties are unsecured, interest-free and repayable on demand.

Except for the amounts stated in note 25(b)(iv) and (v) above, the balances with related parties are trade in nature.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Salaries, allowances and benefits in kind	911	741
Equity-settled share award expense	8,583	2,146
Pension scheme contributions	68	25
Total compensation paid to key management personnel	9,562	2,912



26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

30 June 2021 (unaudited)

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Debt investments RMB'000	RMB'000	RMB'000
Notes receivable	32,141	–	32,141
Trade receivables	–	780,611	780,611
Financial assets included in prepayments, other receivables and other assets	–	65,306	65,306
Due from joint ventures	–	22,985	22,985
Pledged deposits	–	30,000	30,000
Cash and cash equivalents	–	748,020	748,020
	32,141	1,646,922	1,679,063

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Trade payables	–	333,481	333,481
Lease liabilities	–	6,078	6,078
Interest-bearing bank and other borrowings	–	184,500	184,500
Financial liabilities included in other payables and accruals	–	89,937	89,937
Dividend payable	–	48,000	48,000
	–	661,996	661,996

26.FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (cont'd)

31 December 2020 (audited)

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Debt investments RMB'000	RMB'000	RMB'000
Notes receivable	10,000	–	10,000
Trade receivables	–	430,731	430,731
Financial assets included in prepayments, other receivables and other assets	–	31,978	31,978
Restricted cash	–	2,319	2,319
Pledged deposits	–	30,000	30,000
Cash and cash equivalents	–	95,598	95,598
	10,000	590,626	600,626

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss	475,428	–	475,428
Trade payables	–	238,351	238,351
Lease liabilities	–	7,520	7,520
Interest-bearing bank and other borrowings	–	159,000	159,000
Financial liabilities included in other payables and accruals	–	149,133	149,133
Due to a joint venture	–	73,295	73,295
Dividend payable	–	80,000	80,000
	475,428	707,299	1,182,727



27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, pledged deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, due from joint ventures, trade payables, financial liabilities included in other payables and accruals, dividend payable and interest-bearing bank and other borrowings, lease liabilities and due to a joint venture approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at 30 June 2021 were assessed to be insignificant. The fair value of the financial liabilities at fair value through profit or loss is estimated by the Market Approach and equity allocation model.

The fair values of the notes receivable classified as financial assets at fair value through other comprehensive income under HKFRS 9 as at the end of reporting period have been calculated by discounting the expected future cash flows, which are the par values of the notes receivable. In addition, the notes receivable will mature within one year, and thus their fair values approximate to their carrying values.

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONT'D)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	32,141	–	32,141

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Notes receivable	–	10,000	–	10,000



27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONT'D)

Fair value hierarchy (cont'd)

Liabilities measured at fair value:

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities at fair value through profit or loss	–	–	475,428	475,428

The Group did not have any financial assets measured at fair value as at 30 June 2021.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

28. EVENTS AFTER THE REPORTING PERIOD

On September 15, 2021, the Company approved and adopted the RSU Scheme to reward the Eligible Participants, which include (i) employees of the Company; (ii) senior management of subsidiaries of the Company; and (iii) business partners of the Group (including top artists such as directors, screenwriters, etc.) who the Board or the Committee or person(s) to which the Board has delegated its authority considers, in their sole discretion, have contributed or will contribute to the Group. The RSU Scheme shall be valid and effective for a term of ten (10) years commencing from September 15, 2021. The total number of Shares underlying the RSUs to be granted to the Selected Participants pursuant to the RSU Scheme shall not exceed 20,639,010 Shares, representing approximately 3% of the total number of Shares in issue as at the adoption date.

Definitions and Glossaries

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

“Audit Committee”	the audit committee of the Board
“Beijing iQIYI”	Beijing iQIYI Technology Co., Ltd. (北京愛奇藝科技有限公司), a limited liability company established in the PRC on March 27, 2007, a wholly-owned subsidiary of iQIYI, Inc. and a connected person of the Company
“Beijing Strawbear”	Beijing Strawbear Film Co., Ltd. (北京稻草熊影業有限公司), a limited liability company established in the PRC on September 2, 2019 and indirectly controlled by the Company through the Contractual Arrangements
“Beyond Vast”	BEYOND VAST LIMITED, a BVI business company incorporated under the laws of the BVI on August 12, 2020 and wholly owned by Family Trust Singapore, the trustee of the LSS Family Trust
“Board” or “Board of Directors”	the board of Directors of the Company
“broadcasting rights”	refers to (i) the right of broadcasting (廣播權), in terms of drama series broadcast via TV channels; and (ii) the right to network dissemination of information (信息網絡傳播權), in terms of drama series and films broadcast via online video platforms, for the purpose of this report
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the Chairman of the Board
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this report and for geographical reference only, references herein to “China” and the “PRC” do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Committee”	a committee established and delegated with the power and authority by the Board to administer the RSU Scheme
“Company” or “our Company”	Strawbear Entertainment Group (稻草熊娛樂集團), an exempted company with limited liability incorporated under the laws of Cayman Islands on January 3, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Consolidated Affiliated Entities”	the entities the Company controls through the Contractual Arrangements, namely Jiangsu Strawbear and its subsidiaries, further details of which are set out in “Contractual Arrangements” in the Prospectus
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Nanjing Strawbear, Jiangsu Strawbear and its registered shareholders, details of which are described in “Contractual Arrangements” in the Prospectus
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, unless the context otherwise requires, refers to Mr. Liu, Master Sagittarius and Leading Glory
“COVID-19”	novel coronavirus pneumonia



“Director(s)”	director(s) of the Company
“drama series”	refers to the content produced for broadcast via TV channels or the internet, which is usually released in episodes that follow a narrative, consisting of TV series and web series
“Eligible Participant(s)”	include the (i) employees of the Company; (ii) senior management of subsidiaries of the Company; and (iii) business partners of the Group (including top artists such as directors, screenwriters, etc.) who the Board or its delegate(s) considers, in their sole discretion, have contributed or will contribute to the Group, and who are not Excluded Persons
“Employee Trust Hong Kong”	Vistra Trust (Hong Kong) Limited, an Independent Third Party professional trust company established in Hong Kong
“Excluded Person”	(i) at the time of the proposed grant of a RSU, any connected person or core connected person of the Company, or (ii) any Eligible Participant who is a resident in a place where the award of the RSUs and/or the vesting and transfer of the Shares underlying the vested RSUs pursuant to the terms of the RSU Scheme is not permitted under the laws and regulations of such place such that in the view of the Board or the Committee, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such Eligible Participant
“Family Trust Singapore”	Vistra Trust (Singapore) Pte. Limited, an Independent Third Party professional trust company established in Singapore
“Glesason Global”	GLESASON GLOBAL LIMITED, a BVI business company incorporated under the laws of the BVI on May 5, 2020 and owned as to 99% by Beyond Vast and 1% by Gold Pisces
“Gold Fish”	Gold Fish Management Holding Limited, a BVI business company incorporated under the laws of the BVI on January 30, 2018 and wholly owned by Ms. Zhai
“Gold Fish Trust”	the discretionary trust established by Ms. Zhai as the settlor and the protector, with Family Trust Singapore as the trustee, details of which are set out in the section headed “History, Reorganization and Corporate Development” in the Prospectus
“Gold Pisces”	Gold Pisces Holding Limited, a BVI business company incorporated under the laws of the BVI on December 19, 2017 and wholly owned by Ms. Liu

Definitions and Glossaries

“Golden Basin”	GOLDEN BASIN GLOBAL LIMITED, a BVI business company incorporated under the laws of the BVI on April 1, 2020 and owned as to 99% by Smart Century and 1% by Gold Fish
“Gorgeous Horizon”	GORGEOUS HORIZON LIMITED, a BVI business company incorporated under the laws of the BVI on August 28, 2020 and wholly owned by Success Tale
“Grant Date”	the date (which shall be a business day) on which the grant of a RSU is made to a Selected Participant, being the date of the Grant Letter
“Grant Letter”	the letter pursuant to which RSUs are granted to a Selected Participant
“Group”, “our Group”, “the Group”, “we” or “us”	the Company and its subsidiaries and Consolidated Affiliated Entities at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Horgos Strawbear”	Horgos Strawbear Film Co., Ltd. (霍爾果斯稻草熊影業有限公司), a limited liability company established in the PRC on August 4, 2016 and indirectly controlled by the Company through the Contractual Arrangements
“Independent Third Party(ies)”	an individual or a company which, to the best of the Director’s knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
“IP(s)”	refers to intellectual properties such as existing films, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new drama series or films
“IQIYI”	iQIYI, Inc. (Stock Code: IQ. NASDAQ) and its subsidiaries and consolidated affiliated entities, one of the largest Chinese online video platforms listed in the U.S. with approximately 476.0 million average MAUs in 2019
“Jiangsu Strawbear”	Jiangsu Strawbear Film Co., Ltd. (江蘇稻草熊影業有限公司), a limited liability company established in the PRC on June 13, 2014 and indirectly controlled by the Company through the Contractual Arrangements



“Leading Glory”	LEADING GLORY INVESTMENTS LIMITED, a BVI business company incorporated under the laws of the BVI on April 1, 2020 and owned as to 99% by Master Genius and 1% by Master Sagittarius
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on January 15, 2021
“Listing Date”	the date, namely January 15, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“LSS Family Trust”	the discretionary trust established by Ms. Liu as the settlor and the protector, with Family Trust Singapore as the trustee
“LXF Family Trust”	the trust established by Mr. Liu as the settlor and the protector, with Employee Trust Hong Kong as the trustee and Master Sagittarius as the beneficiary
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Master Genius”	MASTER GENIUS GLOBAL LIMITED, a BVI business company incorporated under the laws of the BVI on August 28, 2020 and wholly owned by Family Trust Singapore, the trustee of the LXF Family Trust
“Master Sagittarius”	Master Sagittarius Holding Limited, a BVI business company incorporated under the laws of the BVI on December 18, 2017 and wholly owned by Mr. Liu, one of the Controlling Shareholders
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Liu”	Mr. LIU Xiaofeng (劉小楓), chairman of the Board, an executive Director, the chief executive officer of the Company, one of the Controlling Shareholders and one of the Registered Shareholders of Jiangsu Strawbear
“Ms. Liu”	Ms. LIU Shishi (劉詩施), one of the substantial Shareholders and one of the Registered Shareholders of Jiangsu Strawbear
“Ms. Zhai”	Ms. ZHAI Fang (翟芳), an executive Director, the chief operating officer of the Company and one of the Registered Shareholders of Jiangsu Strawbear
“Ms. Zhang”	Ms. ZHANG Qiuchen (張秋晨), an executive Director, the chief marketing officer of the Company and one of the Registered Shareholders of Jiangsu Strawbear

“Ms. Zhao”	Ms. ZHAO Liying (趙麗穎), one of the Shareholders and one of the Registered Shareholders of Jiangsu Strawbear
“Nanjing Huawen”	Nanjing Huawen Strawbear Culture Partnership (Limited Partnership) (南京華文稻草熊文化合夥企業(有限合夥)), a limited partnership established in the PRC on November 29, 2019, 18.31% limited partnership interest in which are held by Jiangsu Strawbear
“Nanjing Strawbear”	Nanjing Strawbear Business Consulting Co., Ltd. (南京稻草熊商務諮詢有限公司), a limited liability company established in the PRC on September 17, 2018 and an indirectly wholly-owned subsidiary of the Company
“Nova Film”	Nova Film Technology (Jiangsu) Co., Ltd. (諾華視創電影科技(江蘇)有限公司), a limited liability company established in the PRC on May 29, 2015 and indirectly controlled by the Company through the Contractual Arrangements
“NRTA”	National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), the successor of SAPPRFT
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme approved and adopted by the Company on May 11, 2020, the principal terms of which are summarized in “Appendix IV – Statutory and General Information – D. Other Information – (1) Pre-IPO Share Option Scheme” in the Prospectus
“Pre-IPO Share Options”	the share options granted under the Pre-IPO Share Option Scheme
“Prospectus”	the prospectus of the Company published on December 31, 2020
“Relevant Period”	the period from the Listing Date to the end of the Reporting Period
“re-run broadcast” or “re-run”	the rebroadcast of a drama series that has previously been broadcast on the TV channel or online video platform, including second-run broadcast and all subsequent broadcasts on any channel
“Reporting Period”	the six-month period from January 1, 2021 to June 30, 2021
“RMB” or “Renminbi”	the lawful currency of the PRC
“RSU(s)”	restricted share unit(s) to be granted under the RSU Scheme, each of which represents one underlying Share, and represent a conditional right granted to any Selected Participant under the RSU Scheme to obtain the corresponding economic value of the underlying Shares, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion
“RSU Scheme”	the restricted share unit scheme adopted by the Company on September 15, 2021, as amended from time to time
“Selected Participant(s)”	any Eligible Participant approved by the Board for participation in the RSU Scheme on the relevant Grant Date
“SFC”	the Securities and Futures Commission of Hong Kong



“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.000025 each
“Shareholder(s)”	holder(s) of the Shares
“Smart Century”	SMART CENTURY VENTURES LIMITED, a BVI business company incorporated under the laws of the BVI on June 24, 2020 and wholly owned by Family Trust Singapore, the trustee of the Gold Fish Trust
“Success Tale”	SUCCESS TALE ENTERPRISES LIMITED, a BVI business company incorporated under the laws of the BVI on August 28, 2020 and wholly owned by Employee Trust Hong Kong, the trustee of the Strawbear Employee Trust
“TV”	television
“TV series”	a series of scripted episodes that needs to obtain a distribution license from the National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), which are broadcast on TV channels and/or new media channels such as online video platforms
“US\$”	United States dollars, the lawful currency for the time being of the United States
“Voting Arrangement Agreements”	the agreement and supplemental agreement thereof dated November 1, 2018 entered into by, among others, Mr. Liu, Ms. Liu, Ms. Zhai, Ms. Zhao, Ms. Zhang and their respective wholly-owned holding companies (where applicable) regarding certain arrangements for the voting rights in the members of the Group, details of which are set out in “History, Reorganization and Corporate Development – Voting Arrangement and Lock-up Arrangements” in the Prospectus
“web series”	a series of scripted episodes which can only be broadcast on new media channels such as online video platforms

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