

2022 中期報告 INTERIM REPORT



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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
Ms. Zeng Ying (*resigned on April 19, 2022*)
Ms. Liu Fan (*appointed on April 19, 2022*)

Independent Non-executive Directors

Mr. Ma Zhongjun
Mr. Zhang Senquan
Mr. Chung Chong Sun

AUDIT COMMITTEE

Mr. Zhang Senquan (*Chairman*)
Ms. Zeng Ying (*resigned on April 19, 2022*)
Ms. Liu Fan (*appointed on April 19, 2022*)
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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Liu Xiaofeng (*Chairman*)
Ms. Zhai Fang
Mr. Zhang Senquan

JOINT COMPANY SECRETARIES

Ms. Zhai Fang
Mr. Wong Keith Shing Cheung
(*resigned on March 25, 2022*)
Ms. Zhang Xiao (*appointed on March 25, 2022*)

AUTHORISED REPRESENTATIVES

Ms. Zhai Fang
Mr. Wong Keith Shing Cheung
(*resigned on March 25, 2022*)
Ms. Zhang Xiao (*appointed on March 25, 2022*)

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Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

The Group is a major content producer and distributor in the PRC, principally engaged in the investment, development, production and distribution of TV series, web series and films.

In the first half of 2022, as the market environment kept evolving, the Group adhered to its development strategy of persevering in producing quality content as a long-termist and creating a full-cycle ecosystem which develops and produces content with self-sourced IP as the core. As a “Servant of Industry”, the Group provided professional business services to distinctive participants in each key session during the creation of films and TV series. By leveraging on the rich industry resources accumulated continuously under its platform operation model, the Group made decisions in a forward-looking manner and timely adjusted its business development strategy. In order to adapt to the rapidly changing and constantly growing demand for quality content, and to prepare for its sustainable growth, the Group also enhanced the internal quality control to allow multi-dimensional assessment and management system for its brand effect and commercial value of the content development, and carried out precise content development targeting different target circles and tiers, audiences and platforms. As of June 30, 2022, the Group reserved a number of drama series of various genres to be broadcast and under preparation.

The Group’s content production capability has also been widely recognised 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 six 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 was also awarded the accolade of the fourth-year “Top 30 Private Cultural Enterprise in Jiangsu Province” (第四屆“江蘇民營文化企業30強”) at the event for fostering high-quality development of culture (文化高質量發展推進會) held on April 20, 2022 in Jiangsu Province.

The Group will keep aiming for long-term growth and innovation. By taking a foothold in the fertile land of the outstanding Chinese culture, riding the wave of the digital development trend, and exploring diversified output channels, innovative content and development models, the Group will create and produce more cultural products and services with international brand influences.

The Group’s Platform Operation Model

In the first half of 2022, benefiting from the continuous deepening of the Group’s platform operation model and the continuous enhancement of the internal middle platform system, various stages in the content production process were able to achieve efficient synergy. The network effect brought by the platform operation model also expedited the gathering and allocation of quality resources. Having a prudent and positive attitude towards the continuous exploration and all-round layout of the content segment and new forms of content also allowed the Group to adapt quickly to the constant changes in content demand in the market. All of the drama series broadcast have been well-received with positive broadcast effect and market response. In addition, the Group’s scaled, industrialised and diversified production mode has also given sufficient momentum to the Group’s pipeline drama series projects. The drama series to be broadcast include more than ten quality drama series that cover a wide variety of genres and forms. For example: Cat & Thief (鬥賊), a contemporary crime drama series starring Huang Jingyu (黃景瑜) and Xiu Rui (修睿); Never Too Late (我的助理六十歲), a contemporary metropolitan drama series starring Wang Ziwen (王子文), Deng Jie (鄧婕) and Bai Jingting (白敬亭); Big Examination (大考), a contemporary metropolitan drama series starring Chen Baoguo (陳寶國), Wang Qianyuan (王千源) and Hu Xianxu (胡先煦); Hello Beautiful Life (心想事成), a metropolitan emotion drama series starring Mao Xiaotong (毛曉彤), Zhang Li (張儷) and Li Zefeng (李澤鋒); Legend of Bikini (乘風踏浪), a contemporary metropolitan drama series starring Qiao Shan (喬杉) and Yang Zishan (楊子姍); Never Give Up (今日宜加油), a metropolitan comedy starring Zheng Kai (鄭愷), Wang Hedi (王鶴棣) and Chen Yuqi (陳鈺琪); Summer Flower (夏花), a metropolitan romance drama series starring Jerry Yan (言承旭) and Xu Ruohan (徐若瑄); My Girlfriend is The Antidote (我的女友是解藥), a metropolitan romance comedy starring Jia Yi (嘉羿) and Jin Zixuan (金子璇); as well as Memories Lost at 97° East Longitude (失落在東經97度的記憶), a modern revolution drama series starring Huang Jingyu (黃景瑜) and Xin Zhilei (辛芷蕾).

We will leverage on our industrial advantage and professional business service capability to provide our various business partners in the film and television industry with more standardised, refined and customised operation management services. We will also adhere to cultural inheritance and innovation and create more high-quality drama series.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

Diversified Business Partners and Forms of Cooperation

Against the backdrop of rapid development in information science technology and gradual stabilization of the industry competition landscape, the Group has stayed close to the market trend and continuously explored potential business partners and diversified combinations of forms of cooperation with its years of experience in the industry and capability to quickly consolidate quality resources. The Group has conducted professional analysis on the target circles and tiers and various audiences of the drama series broadcast through different platforms, and then developed content based on the evident style/preference of different broadcast platforms. The Group further made use of its own platform to quickly allocate quality resources so as to precisely launch customised content products, in order to enhance the sustainability and stability of the Group's drama series project development. In addition to the existing content production mode and customer structure, the Group is also actively exploring and developing D2C content, online-offline real-scene interaction based on quality IP and cooperative development opportunities with domestic and overseas streaming platform.

In the first half of 2022, the Group also continued to widen and deepen cooperation with outstanding industry talents and artists. By using various means, such as business/equity cooperation and equity incentive mechanisms, the Group increased its cooperation stickiness with those outstanding artists who are scarce resources of the industry and play important roles in the Group's drama series project production, to further attract industrial talents and outstanding artists to join the Group's content ecosystem and empowering the production of quality content.

Diversified IP Reserves

The Group attaches importance to IP reserve and development, continuously accumulating quality IP while optimising IP structure. By leveraging on its resource advantage to search for quality resources, the Group also continuously enhances the evaluation dimension and market sensitivity of its content evaluation team, as well as attaching importance to the quality and stable quantity of IP development. Meanwhile, the Group prioritises IP development and strengthens original creation and research and development. The Group cooperates with top-notch screenwriting teams at the initial stages of IP development, laying a solid foundation for achieving serialised and branded operations of high-quality IP.

As of June 30, 2022, in addition to the drama series broadcast and to be broadcast, the Group engaged screenwriters to create more than 10 original IPs based on its initial ideas and more than 30 adapted IPs based on licenced IPs, including teen drama, sweet idol drama, office drama, metropolitan emotion drama, family drama, comedy, history drama, period legend and more. Having a diversified quality IP reserve will help us in achieving a content layout with multiple target circles and tiers and diversified segments.

The Group believes that a continuous and stable creation, discovery and reserve of quality IP can increase the Group's core competitive edge in terms of content production and help empower "Cost Reduction and Efficiency Enhancement" for content production. The Group will continue to focus on developing IPs so as to produce content with better quality.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

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

As of June 30, 2022, the Group produced and/or distributed but yet to broadcast seven TV series and five 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, 2022	Expected Broadcasting Time
TV Series						
Cat & Thief (門賊)	Crime	Gong Zhaochui (龔朝暉), Huang Jingyu (黃景瑜), Xiu Rui (修睿)	Production and distribution	Adaptation	Post-production	2023
Legend of Bikini (乘風踏浪)	Metropolitan	Zhang Silin (張思麟), Qiao Shan (喬杉), Yang Zishan (楊子姍)	Production and distribution	Original	Post-production	2022
Never Too Late (我的助理六十歲)	Metropolitan	Ding Pei (丁培), Wang Ziwen (王子文), Deng Jie (鄧婕), Bai Jingting (白敬亭)	Production and distribution	Original	Post-production	2022
Big Examination (大考)	Metropolitan	Shen Yan (沈嚴), Chen Baoguo (陳寶國), Wang Qianyuan (王千源), Hu Xianxu (胡先煦)	Production	Original	Post-production	2022
Never Give Up (今日宜加油)	Comedy	Wu Qiang (吳強), Yu Zhongzhong (于中中), Zheng Kai (鄭愷), Wang Hedi (王鶴棣), Chen Yuqi (陳鈺琪)	Production and distribution	Adaptation	Post-production	2022
Hello Beautiful Life (心想事成)	Metropolitan	Liu Yizhi (劉一志), Mao Xiaotong (毛曉彤), Zhang Li (張儷), Li Zefeng (李澤鋒)	Production and distribution	Original	Post-production	2022
Memories Lost at 97° East Longitude (失落在東經97度的記憶)	Modern Spy War	Xie Ze (謝澤), Huang Jingyu (黃景瑜), Xin Zhilei (辛芷蕾)	Production and distribution	Original	Post-production	2023
Web Series						
Flying To The Moon (月歌行)	Period Legend	Lin Jianlong (林健龍), Zhang Binbin (張彬彬), Xu Lu (徐璐)	Production	Adaptation	Post-production	2022
My Girlfriend is The Antidote (我的女友是解藥)	Metropolitan	Ma Ming (馬鳴), Jia Yi (嘉羿), Jin Zixuan (金子璇)	Production and distribution	Original	Post-production	2022
Our Destiny In Self-Redemption (浮圖緣)	Period Legend	Wu Qiang (吳強), Wang Hedi (王鶴棣), Chen Yuqi (陳鈺琪)	Production and distribution	Adaptation	Post-production	2022
Thousand Years For You (請君) ⁽¹⁾	Period Legend	Zheng Weiwen (鄭偉文), Ren Jialun (任嘉倫), Li Qin (李沁)	Production	Adaptation	Post-production	2022
Summer Flower (夏花)	Metropolitan	Chen Zhoufei (陳宙飛), Jerry Yan (言承旭), Xu Ruohan (徐若晗)	Production	Adaptation	Post-production	2022

The Group continuously raises its requirements for content quality and drama series quality in project development and production. Not only does the Group seek to diversify genres to cover realism, comedy, teen and period dramas, but also keep abreast with the times and actively set the trend for mainstream businesses. Among all drama series, Big Examination (大考) which is to be broadcast has been promoted several times as key drama series at the project promotion event of the NRTA. Big Examination (大考) features about how the college entrance examinees “born in the year of severe acute respiratory syndrome coronavirus (the “SARS”) and took the examination in the year of COVID-19” are supported by society in various aspects.

(1) The translation name of the drama series Welcome (請君) had been changed to Thousand Years For You (請君).

BUSINESS REVIEW AND PROSPECTS (CONT'D)

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

As of June 30, 2022, the Group had several TV series/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 some of the Group's pipeline drama series projects:

Proposed Name of the Drama series	Genre	Copyright Ownership	Status as of June 30, 2022	Time of Public Record
TV Series				
In The Name Of Handsome (以英俊之名)	Metropolitan	The Group	Pre-production	2021
My Mr. Cat (我的貓先生)	Metropolitan	The Group	Pre-production	2020
Love is a Thief (謝你不娶之恩)	Metropolitan	The Group	Pre-production	2020
She's the Prosecutor (她是檢察官)	Metropolitan	Jointly owned with its co-investor	Pre-production	2020
You are Desire (白日夢我)	Metropolitan	The Group	Under production	2022
Lies (沒有我的城)	Modern Revolution	The Group	Pre-production	2020
On The Silent And Lonely Stream (在寂與寞的川流上)	Metropolitan	The Group	Pre-production	2021
Web Series				
Kunio Warriors Of Sky And Song (天行九歌之國士無雙)	Period Legend	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 2022, the Group delivered three drama series, including *The Bachelors* (追愛家族). The Group's revenue generated from licensing of broadcasting rights of drama series remained relatively stable at RMB461.6 million for the six months ended June 30, 2022 as compared with RMB483.7 million for the six months ended June 30, 2021.

The Group continued to enhance its control over the quality of drama series, and with the continuous deepening of the platform operation model and the empowerment of high-quality industry resources, the Group has rapidly increased its efficiency in production and distribution. For example, the production of *The Bachelors* (追愛家族), a drama series produced and distributed by the Group, was started filming in June 2021, and the whole process from filming to post-production and distribution was completed within 10 months. This drama series was broadcast on several online video platforms and TV channels in March 2022, which features a story of a retired teacher, who has been widowed for years, and his three sons with different personalities bravely pursue love and forge ahead. After the drama series was broadcast, good broadcasting effect and market response had been received. The Group will also continue to explore the way to create a virtuous cycle between its production capacity and the product quality in order to improve the quality of its drama series.

As of June 30, 2022, the Group has a large number of high-quality and diverse drama series to be broadcast or pipeline drama series planned to be broadcast in the near future. For example, *Cat & Thief* (鬥賊), a crime comedy about the battle of wits between a detective and the "king of thieves"; *Legend Of Bikini* (乘風踏浪), a metropolitan drama series about people who make swimsuit in Xingcheng riding on the wind of reform to successfully start a business; *Hello Beautiful Life* (心想事成), a metropolitan drama series about sisters with very different personalities being loyal to their hearts to fight for themselves and pursue a better life against dull routine; *Memories Lost at 97° East Longitude* (失落在東經97度的記憶), a modern spy war drama series about the Chinese Communist Party underground party members who were lurking in the Bureau of Investigation and Statistics (BIS) in the late period of the Second Sino-Japanese War, fighting to the death with the enemy and smashing various conspiracies after memory lost; and *Never Give Up* (今日宜加油), a group portrait metropolitan comedy about daily life of ordinary strivers.

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

The Group's revenue generated from made-to-order drama series production was RMB457.7 million for the six months ended June 30, 2021. For the six months ended June 30, 2022, the Group had not yet recognised revenue from made-to-order drama series production business, which was mainly attributable to the fact that the Group's made-to-order drama series have not been broadcast during the first half of the year. No made-to-order drama series was delivered to customers for the six months ended June 30, 2022.

As of June 30, 2022, the Group has a number of high-quality made-to-order drama series to be broadcast in the near future. For example, *Big Examination* (大考), a metropolitan drama series about how the college entrance examinees "born in the year of SARS and took the examination in the year of COVID-19" are supported by society in various aspects; *Summer Flower* (夏花), a metropolitan romance drama series about the love story between a young girl and a middle-aged man; and *Thousand Years For You* (請君), a Republican era fantasy romance drama series about the love story between the thousand-year-old General and the righteous female chief of brigands.

(iii) Others

The Group's other business primarily includes assignment of copyright of IP licence(s) held by the Group to the independent third party/parties.

BUSINESS REVIEW AND PROSPECTS (CONT'D)

OUTLOOK

Looking forward, the Group will continue to adhere to the concept of “organic growth” and improve the output rate of “high-quality drama series” by emphasising the development and production of content products with self-sourced IP as the core. The Group will actively expand various types of business partners and customers and regard quality content as its core resource and leverage its enduring value to strengthen the Group’s position in the content ecosystem. The Group will continue to provide efficient interactive platforms and solutions for business partners and customers, and actively explore innovation in business models, thereby optimising product and customer structure. The Group will continue to develop original and serialised IP to achieve serialised and branded operations of high-quality IP; and further explore new segments in cultural and entertainment industry, actively expand overseas content market, OST segment as well as develop cooperation channel and business model for offline live-action interactive entertainment, and explore diversified monetisation channel and revenue model.

The Group is determined to make great strides forward hand in hand with industry participants to share diverse and high-quality premium content for the public.

IMPACT OF COVID-19

There has been an outbreak of an infectious disease caused by COVID-19. The disease quickly spread within the PRC and globally 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. However, the Chinese government adopted several effective measures to curb spread of the outbreak. At the same time, the Group also adopted a strict disease prevention scheme to reduce the risk of its employees from infection of COVID-19.

As of the date of this report, the spread of COVID-19 in China recurred but the recurrence did not materially and adversely affect the cost of the drama series being filmed by the Group and did not have material adverse impact on the operation, financial condition, and cash flows of the Group. If COVID-19 continues to spread in the second half of 2022 or the PRC government authorities prohibit the Group 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 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 and films production and the licensing of the copyrights of drama series and films. In the specific process of production, the Group carefully selects on-site filming location, and films/produces drama series in film bases with a complete and mature filming management system and a strict pandemic prevention and control mechanism. Most of these film bases implement enclosed management and are less affected by the pandemic. Except for on-site filming, the Group’s early-stage preparations, screenwriters, post-production partners and employees can work remotely and communicate with each other 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 and films, the Group’s monthly fixed costs, such as employee expenses and rental expenses are relatively lower.

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 each other to move forward.

INTERIM PERIOD REVIEW

Condensed consolidated statement of profit or loss

	Six months ended June 30,	
	2021	2022
	(RMB in thousands)	
REVENUE	974,983	463,599
Cost of sales	(741,261)	(320,673)
Gross profit	233,722	142,926
Other income and gains	17,831	17,904
Selling and distribution expenses	(76,286)	(16,498)
Administrative expenses	(30,150)	(28,177)
Impairment of trade receivables	(405)	–
Other expenses	(622)	(188)
Finance costs	(5,426)	(7,823)
Share of profits and losses of joint ventures	(1,082)	(1,246)
Share of profits and losses of associates	–	(187)
Changes in fair value of financial liabilities at fair value through profit or loss	(1,610)	–
PROFIT BEFORE TAX	135,972	106,711
Income tax expense	(41,492)	(33,436)
PROFIT FOR THE PERIOD	94,480	73,275
Attributable to:		
Owners of the parent	94,147	73,518
Non-controlling interests	333	(243)
	94,480	73,275
NON-HKFRS MEASURE⁽¹⁾		
Adjusted net profit ⁽²⁾	108,367	85,701

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 decreased from RMB975.0 million for the six months ended June 30, 2021 to RMB463.6 million for the same period in 2022, primarily attributable to the decrease in revenue generated from production of made-to-order drama series as the Group's made-to-order drama series have not been broadcast during the first half of the year. The following table sets forth the Group's revenue by business line in the first half of 2021 and 2022.

	Six months ended June 30,			
	2021		2022	
	(RMB in thousands, except percentages of revenue)			
Licensing of the broadcasting rights of drama series	483,704	49.6%	461,647	99.6%
Made-to-order drama series production	457,664	46.9%	–	–
Others	33,615	3.5%	1,952	0.4%
Total	974,983	100.0%	463,599	100.0%

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 RMB461.6 million for the six months ended June 30, 2022 as compared with RMB483.7 million for the six months ended June 30, 2021. The Group delivered three drama series including The Bachelors (追愛家族) in the first half of 2022.

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 was RMB457.7 million for the six months ended June 30, 2021. For the six months ended June 30, 2022, the Group had not yet recognised revenue from made-to-order drama series production, which was mainly attributable to the fact that the Group's made-to-order drama series have not been broadcast during the first half of the year. No made-to-order drama series was delivered to customers for the six months ended June 30, 2022.

Others

Others primarily comprise revenues from the assignment fee received from the copyright of an IP licence.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased from RMB233.7 million for the six months ended June 30, 2021 to RMB142.9 million for the six months ended June 30, 2022. The Group's gross profit margin increased to 30.8% for the six months ended June 30, 2022 from 24.0% for the six months ended June 30, 2021, primarily due to the combined effect of (i) a decrease in the production cost of drama series; and (ii) a decrease in fantasy drama series with relatively lower gross profit margin, mainly attributable to a higher post-production cost.

The following table sets forth the Group's gross profit and gross profit margin by business line in the first half of 2021 and 2022.

	Six months ended June 30,			
	2021	Gross Profit Margin	2022	Gross Profit Margin
	Gross Profit		Gross Profit	
	(RMB in thousands, except gross profit margin)			
Licensing of the broadcasting rights of drama series	212,394	43.9%	142,919	31.0%
Made-to-order drama series production	16,299	3.6%	–	–
Others	5,029	15.0%	7	0.4%
Total	233,722	24.0%	142,926	30.8%

Other Income and Gains

Other income and gains remained relatively stable at RMB17.9 million for the six months ended June 30, 2022 as compared with RMB17.8 million for the six months ended June 30, 2021, primarily due to (i) the increase in government grants of RMB5.1 million; (ii) the increase in interest income from loans receivable of RMB2.1 million; and partially offset by (iii) the decrease in net foreign exchange differences of RMB6.7 million.

INTERIM PERIOD REVIEW (CONT'D)

Selling and Marketing Expenses

The Group's selling and distribution expenses decreased significantly by 78.4% to RMB16.5 million for the six months ended June 30, 2022 from RMB76.3 million for the six months ended June 30, 2021, primarily due to the decrease in number of drama series distributed to TV channels as the Group undertook the responsibility of promoting such drama series.

Administrative Expenses

The Group's administrative expenses decreased by 6.5% to RMB28.2 million for the six months ended June 30, 2022 as compared with RMB30.2 million for the six months ended June 30, 2021, primarily due to (i) the increase in the equity-settled share award expense of RMB3.8 million; and partly offset by (ii) the decrease in listing expenses of RMB3.7 million; and (iii) the decrease in the amortisation of intangible assets of RMB1.4 million due to the disposal of Nova Film in November 2021.

Finance Costs

The Group's finance costs increased by 44.2% to RMB7.8 million for the six months ended June 30, 2022 from RMB5.4 million for the six months ended June 30, 2021, primarily due to the increase in interest on discounted notes receivables of RMB2.0 million.

Income Tax Expense

The Group's income tax expense decreased by 19.4% to RMB33.4 million for the six months ended June 30, 2022 from RMB41.5 million for the six months ended June 30, 2021, primarily due to the decrease of deferred tax expense which were impacted by the provision 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.

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.

INTERIM PERIOD REVIEW (CONT'D)

Non-HKFRS Measure (cont'd)

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,	
	2021	2022
	(RMB in thousands)	
Reconciliation of net profit to adjusted net profit		
Net profit for the period	94,480	73,275
Add:		
Changes in fair value of financial liabilities at fair value through profit or loss	1,610	–
Equity-settled share award expense	8,583	12,426
Listing expenses	3,694	–
Adjusted net profit	108,367	85,701

OTHER FINANCIAL INFORMATION

Consolidated statement of financial position (selected items)

	As of December 31,	As of June 30,
	2021	2022
	(RMB in thousands)	
Total non-current assets	150,866	151,361
Total current assets	2,689,701	2,744,589
Total current liabilities	1,056,933	1,053,084
Net current assets	1,632,768	1,691,505
Total non-current liabilities	10,402	9,045
Net assets	1,773,232	1,833,821

OTHER FINANCIAL INFORMATION (CONT'D)

Inventories

	As of December 31, 2021	As of June 30, 2022
	(RMB in thousands)	
Raw materials	144,203	172,765
Work in progress	776,873	1,108,375
Finished goods	178,933	31,747
Total	1,100,009	1,312,887

The Group's inventories increased by 19.4% to RMB1,312.9 million as of June 30, 2022 from RMB1,100.0 million as of December 31, 2021, primarily due to the increase in work in progress of RMB331.5 million, since the drama series under preparation as of June 30, 2022 increased from that of December 31, 2021. The increase was partially offset by the decrease in finished goods of RMB147.2 million as the Group broadcast several of its drama series, such as Bachelors (追愛家族).

Goodwill

The Group's goodwill was RMB108.3 million as of June 30, 2022 and December 31, 2021.

Other Intangible Assets

The Group's other intangible assets was RMB14.5 million as of June 30, 2022 and December 31, 2021.

INTERIM DIVIDEND

The Board has resolved not to declare payment of any interim dividend for the six months ended June 30, 2022.

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.

On November 9, 2021, 6,780,000 new Shares, representing approximately 1.0% of the total number of Shares in issue of the Company as of the date of this report, were allotted and issued by the Company to the trustee under the RSU Scheme to hold on trust for the grantees of the RSUs. For details, please refer to the announcement of the Company dated November 4, 2021.

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

On May 12, 2022, 1,882,400 new Shares, representing approximately 0.3% of the total number of Shares in issue of the Company as of the date of this report, were allotted and issued upon the exercise of share options by a Director under the Pre-IPO Share Option Scheme. For details, please refer to the announcement of the Company dated May 12, 2022. There has been no movement in the issued Shares of the Company since then.

The Company maintained a healthy financial position in the first half of 2022. The Group's total assets increased from RMB2,840.6 million as of December 31, 2021 to RMB2,896.0 million as of June 30, 2022, whilst the Group's total liabilities decreased from RMB1,067.3 million as of December 31, 2021 to RMB1,062.1 million as of June 30, 2022. The Group's liabilities-to-assets ratio decreased from 37.6% as of December 31, 2021 to 36.7% as of June 30, 2022.

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, 2022, the Group maintained a sufficient working capital (current assets less current liabilities) and cash and cash equivalents amounted to RMB1,691.5 million and RMB253.5 million, respectively, as compared to RMB1,632.8 million and RMB302.8 million, respectively, as of December 31, 2021.

As of June 30, 2022, all of the cash and cash equivalents of the Group were denominated in RMB.

The Group believes that its liquidity requirements will 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, 2022, the Group's total interest-bearing bank and other borrowings were approximately RMB380.5 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.

Contingent Liabilities

As of June 30, 2022, the Group did not have any significant contingent liabilities.

Capital Expenditure

The Group's capital expenditures primarily included purchase of property, plant and equipment. The Group's capital expenditures increased to RMB2.1 million in the first half of 2022 from RMB0.4 million in the first half of 2021. 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 2.54 as of December 31, 2021 to 2.61 as of June 30, 2022, primarily attributable to the increase in its current assets.

Debt to Equity Ratio⁽¹⁾

The Group's debt to equity ratio was not applicable as of December 31, 2021 and was 7.2% as of June 30, 2022.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2022. As of June 30, 2022, the Group did not hold any significant investments and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as of June 30, 2022.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

On December 20, 2021, the Company, Jiangsu Strawbear, Shanghai GH Entertainment & Media Co., Ltd. (上海金禾影視傳播有限公司) (the "**Target Company**"), Zheyu (Shanghai) Film and Television Culture Studio (哲雅(上海)影視文化工作室) and Ms. Wang Jing (王晶), the founder and a controlling shareholder of the Target Company, entered into a non-legally binding term sheet, pursuant to which, the Company and Jiangsu Strawbear plan to acquire a total of 100.0% equity interest in the Target Company. For details, please refer to the announcement of the Company dated December 21, 2021.

Save as disclosed above and in the section headed "Use of Proceeds from the Global Offering" in this report, the Group did not have any other immediate plans for material investment and capital assets as of 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 of 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.

(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, due to a joint venture and due to a related party deduct cash and cash equivalents) divided by total equity as of the relevant dates multiplied by 100%.

PLEDGE OF ASSETS

As of June 30, 2022, the Group's trade receivables, with an aggregate net carrying value of approximately RMB304,033,000 (December 31, 2021: RMB649,438,000), and the pledged deposit amounting to RMB92,121,000 (December 31, 2021: RMB91,139,000) were pledged to secure the bank loans granted to the Group.

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 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 recognised and creditworthy third parties. Receivable balances are monitored on an on-going basis.

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

Liquidity Risk

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



EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2022, the Group had 63 employees, including 24 based in Jiangsu Province, 27 based in Beijing, 3 based in Xinjiang Uyghur Autonomous Region, 3 based in Zhejiang Province and 6 based in Hainan Province. The following table shows a breakdown of the employees by function as of June 30, 2022:

Functions	Number of Employees	% of Total Employees
Management	4	6.3%
Production	21	33.3%
Financing and investment	2	3.2%
Distribution	3	4.8%
Casting	2	3.2%
Marketing and promotion	6	9.5%
Government affairs	1	1.6%
Finance and legal	14	22.2%
Corporate Compliance	1	1.6%
Administrative	8	12.7%
Overseas development	1	1.6%
Total	63	100.0%

For the six months ended June 30, 2022, total staff remuneration expenses including Directors' remuneration amounted to RMB19.4 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 also adopted Pre-IPO Share Option Scheme and RSU Schemes to reward the selected employees for their contribution to the growth and development of the Group.

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

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 code provisions as set out in Part 2 of Appendix 14 to the Listing Rules as its own code of corporate governance.

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

Pursuant to code provision C.2.1 in the CG Code as set out in Part 2 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Liu is currently serving as the Chairman as well as the chief executive officer of the Company. As Mr. Liu is the founder of the Group and has been managing the Group's business and overall strategic planning since its establishment, the Directors consider that vesting the roles of chairman and chief executive officer in Mr. Liu is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group. Taking into account all the corporate governance measures that the Group implemented, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company had not segregated the roles of its Chairman and chief executive officer. The Board will continue to review and consider splitting the roles of Chairman and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors, senior management members, and employees who, because of 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 Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group during the Reporting Period.

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), Mr. Chung Chong Sun and Ms. Liu Fan. The main duties of the Audit Committee are to assist the Board in reviewing compliance, accounting policies, financial reporting procedures and risk management and internal control systems; supervising the implementation of the internal audit system; advising on the appointment or replacement of external auditors; and liaising between the internal audit department and external auditors.



REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has, together with the management of the Company, reviewed the accounting principles and policies adopted by the Group and the unaudited interim condensed consolidated financial statements of the Group for the six months ended June 30, 2022, and has recommended for the Board's approval thereof. The unaudited interim condensed consolidated financial statements of the Group for the six months ended June 30, 2022 has not been reviewed by the external auditors of the Company.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

On September 15, 2021, the Board has resolved to re-allocate part of the unutilised Net Proceeds of approximately HK\$635.7 million (approximately 59.4% of the Net Proceeds), of which (i) HK\$528.6 million originally intended to be used for funding the production of Hello Baby (你好寶貝), My Mr. Cat (我的貓先生), Steal His Heart (偷走他的心), The Wind Catcher (捕風者) and Two Capitals (兩京十五日) was re-allocated to funding the production of Cat & Thief (鬥賊), Legend Of Bikini (乘風踏浪), Never Too Late (我的助理六十歲) and Thousand Years For You (請君)⁽²⁾; 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 following table sets out (i) the original allocation of Net Proceeds as set out in the Prospectus; (ii) the revised allocation of the unutilised Net Proceeds as set out in the Announcement; (iii) the utilised and unutilised amount of Net Proceeds as of June 30, 2022; and (iv) the latest expected timeline for utilisation.

	Net proceeds from the global offering and utilisation				Expected timeline for utilisation ⁽¹⁾
	Original allocation of Net Proceeds HK\$ in million	Revised allocation of Net Proceeds HK\$ in million	Utilised amount of Net Proceeds as of June 30, 2022 HK\$ in million	Unutilised amount of Net Proceeds as of June 30, 2022 HK\$ in million	
Funding the drama series production of the Group					
Our Destiny In Self-Redemption (浮圖緣)	76.5	76.5	76.5	-	-
Flying To The Moon (月歌行)	100.8	100.8	100.8	-	-
Handsome Yong Master (公子傾城)	38.6	38.6	38.6	-	-
Hello Baby (你好寶貝)	57.0	-	-	-	-
My Mr. Cat (我的貓先生)	68.6	4.1	4.1	-	-
Steal His Heart (偷走他的心)	68.6	0.1	0.1	-	-
The Wind Catcher (捕風者)	87.1	1.1	1.1	-	-
Two Capitals (兩京十五日)	252.6	-	-	-	-
Cat & Thief (鬥賊)	-	110.0	110.0	-	-
Legend Of Bikini (乘風踏浪)	-	110.0	110.0	-	-
Never Too Late (我的助理六十歲)	-	145.0	145.0	-	-
Thousand Years For You (請君) ⁽²⁾	-	163.6	163.6	-	-
Sub-total	749.8	749.8	749.8	-	-

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

	Net proceeds from the global offering and utilisation				Expected timeline for utilisation ⁽¹⁾
	Original allocation of Net Proceeds HK\$ in million	Revised allocation of Net Proceeds HK\$ in million	Utilised amount of Net Proceeds as of June 30, 2022 HK\$ in million	Unutilised amount of Net Proceeds as of June 30, 2022 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	107.1	107.1	-	107.1	By the end of 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	107.1	-	-	-	-
Acquiring more premium IPs to guarantee the stable growth of the Group's drama series production and distribution	-	107.1	58.7	48.4	By the end of 2023
Working capital and general corporate purposes	107.1	107.1	107.1	-	-
Total	1,071.1	1,071.1	915.6	155.5	

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) The translation name of the drama series Welcome (請君) had been changed to Thousand Years For You (請君).

As of June 30, 2022, the Group has utilised Net Proceeds of HK\$915.6 million in accordance with the intended purposes set out in the Prospectus and the Announcement. The remaining Net Proceeds were deposited in banks as of the date of this report. The Group will gradually utilise the remaining Net Proceeds in accordance with the intended purposes set out in the Prospectus and the Announcement.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

As recommended by the remuneration committee of the Board and approved by the Board on August 25, 2022, the monthly remuneration of Ms. Zhang Qiuchen, an executive Director, had been adjusted from RMB30,000 to RMB80,000 with effect from September 1, 2022.

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 2021 annual report up to the date of this report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CHANGES IN CONSTITUTIONAL DOCUMENTS

In order to conform to the core shareholder protection standards as set out in the amended Appendix 3 to the Listing Rules, which took effect on January 1, 2022, the Board has resolved at a meeting held on March 25, 2022 to propose to make certain amendments to the Articles of Association. The proposed amendments were approved by the Shareholders at the annual general meeting of the Company held on June 9, 2022. For details, please refer to the announcement of the Company dated March 25, 2022 and the circular of the Company dated April 28, 2022. There have been no other changes in the constitutional documents of the Company since the publication of the 2021 annual report up to the date of this report.

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, 2022, 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 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⁾	292,362,400	41.97%
	Interest held through voting powers entrusted by other persons ⁽³⁾	109,520,000	15.72%
Ms. Zhai	Founder of a discretionary trust ⁽⁴⁾	32,000,000	4.59%

Notes:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as of June 30, 2022 (without taking into account the Shares which may be allotted and issued upon the exercise of the outstanding 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.

Gorgeous Horizon, being the beneficial owner of the outstanding 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. On May 12, 2022, 1,882,400 Shares were issued to Gorgeous Horizon upon the exercise of the Pre-IPO Share Options by Mr. Liu under the Pre-IPO Share Option Scheme.

- (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, Reorganisation 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 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 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	Founder of a discretionary trust ⁽²⁾	35,765,600	5.13%

Notes:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as of June 30, 2022 (without taking into account the Shares which may be allotted and issued upon the exercise of the outstanding Pre-IPO Share Options).
- (2) Gorgeous Horizon, being the beneficial owner of the outstanding 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. As of June 30, 2022, the number of Shares underlying the outstanding Pre-IPO Share Options held by Gorgeous Horizon is 35,765,600 Shares.



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, Reorganisation and Corporate Development – Voting Arrangement and Lock-up Arrangements" in the Prospectus.

Save as disclosed above, as of June 30, 2022, 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 THE PART XV OF THE SFO

As of June 30, 2022, 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 ⁽¹⁾
Master Sagittarius	Beneficiary of trust ⁽²⁾	328,128,000	47.10%
Master Genius	Interest in a controlled corporation ⁽²⁾	290,480,000	41.70%
Leading Glory	Beneficial interest ⁽²⁾⁽³⁾	290,480,000	41.70%
Gorgeous Horizon	Beneficial interest ⁽²⁾	37,648,000	5.40%
Success Tale	Interest in a controlled corporation ⁽²⁾	37,648,000	5.40%
Employee Trust Hong Kong	Trustee ⁽²⁾	37,648,000	5.40%
Ms. Liu	Founder of a discretionary trust ⁽⁴⁾	73,600,000	10.57%
Gold Pisces	Beneficiary of trust ⁽⁴⁾	73,600,000	10.57%
Beyond Vast	Interest in a controlled corporation ⁽⁴⁾	73,600,000	10.57%
Glesason Global	Beneficial interest ⁽⁴⁾	73,600,000	10.57%
Taurus Holding	Beneficial interest ⁽⁵⁾	97,320,000	13.97%
iQIYI	Interest in a controlled corporation ⁽⁵⁾	97,320,000	13.97%
Baidu Holdings Limited	Interest in a controlled corporation ⁽⁵⁾	97,320,000	13.97%
Baidu, Inc.	Interest in a controlled corporation ⁽⁵⁾	97,320,000	13.97%
Li Yanhong	Interest in a controlled corporation ⁽⁵⁾	97,320,000	13.97%
Family Trust Singapore	Trustee ⁽²⁾	290,480,000	41.70%
	Trustee ⁽⁴⁾	73,600,000	10.57%
	Trustee ⁽⁶⁾	32,000,000	4.59%
Ma Sean	Interest in a controlled corporation ⁽⁷⁾	97,300,000	13.97%
Snow Lake Capital (HK) Limited	Investment manager ⁽⁷⁾	97,300,000	13.97%
Snow Lake China Master Fund, Ltd.	Beneficial interest ⁽⁷⁾	69,000,000	9.90%
Snow Lake China Offshore Fund, Ltd.	Interest in a controlled corporation ⁽⁷⁾	69,000,000	9.90%

Notes:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue as of June 30, 2022 (without taking into account the Shares which may be allotted and issued upon the exercise of the outstanding 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.

Gorgeous Horizon, being the beneficial owner of the outstanding 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. On May 12, 2022, 1,882,400 Shares were issued to Gorgeous Horizon upon the exercise of the Pre-IPO Share Options by Mr. Liu under the Pre-IPO Share Option Scheme. As of June 30, 2022, the number of Shares underlying the outstanding Pre-IPO Share Options held by Gorgeous Horizon is 35,765,600 Shares.

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

Notes: (cont'd)

- (3) 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, Reorganisation and Corporate Development – Voting Arrangement and Lock-up Arrangements" in the Prospectus.
- (4) 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.
- (5) Taurus Holding is wholly owned by iQIYI, whose voting power is owned as to 91.80% by Baidu Holdings Limited, a wholly-owned subsidiary of Baidu, Inc. Baidu, Inc. is owned as to 56.50% by Li Yanhong. Therefore, each of iQIYI, 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.
- (6) 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.
- (7) 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 86.46% 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.

63,120,000 of 97,300,000 Shares are underlying Shares held through derivative interests. 34,180,000 Shares are currently held by Snow Lake Capital (HK) Limited, representing approximately 4.91% of the Shares in issue as of the date of this report.

Save as disclosed above, as of June 30, 2022, 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 Pre-IPO Share Option Scheme shall be valid and effective for a period commencing on May 11, 2020 and ending on December 31, 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. 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 23 to the interim condensed consolidated financial information.

PRE-IPO SHARE OPTION SCHEME (CONT'D)

On May 11, 2020, an aggregate of 37,648,000 Pre-IPO Share Options, representing 5.68% of the total number of Shares in issue as of the Listing Date and 5.40% of the total number of Shares in issue 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 recognise his significant contribution to the Group.

Details of movements of Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme during the Reporting Period are set out below:

Name of grantee	Date of grant	Outstanding as of January 1, 2022	Exercise price (per Share)	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as of June 30, 2022
Mr. Liu	May 11, 2020	37,648,000	US\$0.000025	1,882,400	–	–	35,765,600

Notes:

- Subject to fulfillment or waiver of the conditions (if any) determined by the Board, the underlying Shares in respect of the Pre-IPO Share Options shall be vested in accordance with the vesting schedule set out below:

Vesting date	Maximum percentage of underlying Shares in respect of the Pre-IPO Share Options may be vested
May 12, 2022	5%
May 12, 2023	10%
May 12, 2024	15%
May 12, 2025	30%
May 12, 2026	40%

- The exercise period of the Pre-IPO Share Options shall be within 10 years from May 11, 2020.

RSU SCHEMES

2021 RSU Scheme

On September 15, 2021, the Company approved and adopted the 2021 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. Subject to any early termination as may be determined by the Board, the 2021 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 which can be granted pursuant to the 2021 RSU Scheme shall not exceed 20,639,010 Shares, representing approximately 3% of the total number of Shares in issue as of the date of adoption of the 2021 RSU Scheme (i.e. September 15, 2021). For details, please refer to the announcement of the Company dated September 15, 2021.

Eligible Participants of the 2021 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 can be granted to any Excluded Person.

Details of the RSUs Granted under the 2021 RSU Scheme

On November 4, 2021, the Board resolved to grant an aggregate of 16,780,000 RSUs, representing 16,780,000 underlying Shares, to 59 Selected Participants (including employees of the Company, senior management of subsidiaries of the Company and business partners of the Group) at nil consideration pursuant to the 2021 RSU Scheme, all of which were accepted by the Grantees. On April 19, 2022, the Board resolved to further grant an aggregate of 3,859,000 RSUs, representing 3,859,000 underlying Shares, to 6 Selected Participants, who are business partners of the Group, at nil consideration pursuant to the 2021 RSU Scheme, all of which were accepted by the Grantees. For details, please refer to the announcements of the Company dated November 4, 2021 and April 19, 2022.

RSU SCHEMES (CONT'D)

2021 RSU Scheme (cont'd)

Details of the RSUs Granted under the 2021 RSU Scheme (cont'd)

Details of the RSUs granted pursuant to the 2021 RSU Scheme and the movements during the Reporting Period are set out below:

Date of grant	Number of Shares underlying the RSUs as of the date of grant	Number of Shares underlying the RSUs outstanding as of January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Number of Shares underlying the RSUs outstanding as of June 30, 2022
November 4, 2021	16,780,000 ¹	14,764,000	–	–	32,000	–	14,732,000
April 19, 2022	3,859,000 ²	–	3,859,000	–	–	–	3,859,000

Notes:

1. Subject to satisfaction of the vesting conditions (if any) as set out in the respective letter pursuant to which the RSUs were granted to the Grantees, 16,780,000 RSUs granted on November 4, 2021 shall vest in the Grantees in accordance with the below vesting schedule:
 - i. in relation to 1,600,000 RSUs granted: the RSUs shall vest on November 11, 2021;
 - ii. in relation to 2,080,000 RSUs granted: 20% of the RSUs shall vest on November 11, 2021, 20% of the RSUs shall vest on November 11, 2022, 30% of the RSUs shall vest on November 11, 2023, and 30% of the RSUs shall vest on November 11, 2024;
 - iii. in relation to 9,300,000 RSUs granted: one-third of the RSUs shall vest on January 1, 2023, January 1, 2024, and January 1, 2025, respectively;
 - iv. in relation to 800,000 RSUs granted: 25% of the RSUs shall vest on January 25, 2023, January 25, 2024, January 25, 2025, and January 25, 2026, respectively; and
 - v. in relation to 3,000,000 RSUs granted: 25% of the RSUs shall vest on January 1, 2023, January 1, 2024, January 1, 2025, and January 1, 2026, respectively.
2. Subject to satisfaction of the vesting conditions (if any) as set out in the respective letter pursuant to which the RSUs were granted to the Grantees, one third of 3,859,000 RSUs granted on April 19, 2022 shall vest on May 1, 2023, May 1, 2024, and May 1, 2025, respectively.

RSU SCHEMES (CONT'D)

2022 RSU Scheme

On April 28, 2022, the Company approved and adopted the 2022 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 significant business partners, who are scarce resources in the industry and play an important role in the business operations of the Group, to effectively motivate the business partners 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. Subject to any early termination as may be determined by the Board, the 2022 RSU Scheme shall be valid and effective for a term of ten (10) years commencing from April 28, 2022. The total number of Shares underlying the RSUs which can be granted pursuant to the 2022 RSU Scheme shall not exceed 20,842,410 Shares, representing 3% of the total number of Shares in issue as of the date of adoption of the 2022 RSU Scheme (i.e. April 28, 2022). For details, please refer to the announcement of the Company dated April 28, 2022.

Eligible Participants of the 2022 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, producers, 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 can be granted to any Excluded Person.

Details of the RSUs Granted under the 2022 RSU Scheme

On April 28, 2022, the Board resolved to grant an aggregate of 6,141,000 RSUs, representing 6,141,000 underlying Shares, to 21 Selected Participants, who are employees of the Group, at nil consideration pursuant to the 2022 RSU Scheme, all of which were accepted by the Grantees. For details, please refer to the announcement of the Company dated April 28, 2022.

Details of the RSUs granted pursuant to the 2022 RSU Scheme and the movements during the Reporting Period are set out below:

Date of grant	Number of Shares underlying the RSUs as of the date of grant	Number of Shares underlying the RSUs outstanding as of January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Number of Shares underlying the RSUs outstanding as of June 30, 2022
April 28, 2022	6,141,000 ¹	–	6,141,000	668,200	–	–	5,472,800

RSU SCHEMES (CONT'D)

2022 RSU Scheme (cont'd)

Details of the RSUs Granted under the 2022 RSU Scheme (cont'd)

Note:

1. The vesting schedule of 6,141,000 RSUs granted to the 21 Grantees shall be as follows:
 - i. in relation to 668,200 RSUs granted: the RSUs shall vest on May 20, 2022;
 - ii. in relation to 140,000 RSUs granted: the RSUs shall vest on November 11, 2022;
 - iii. in relation to 948,200 RSUs granted: the RSUs shall vest on November 11, 2023;
 - iv. in relation to 1,422,300 RSUs granted: the RSUs shall vest on November 11, 2024;
 - v. in relation to 1,562,300 RSUs granted: the RSUs shall vest on November 11, 2025;
 - vi. in relation to 700,000 RSUs granted: the RSUs shall vest on November 11, 2026; and
 - vii. in relation to 700,000 RSUs granted: the RSUs shall vest on November 11, 2027.

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

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

EVENTS AFTER THE REPORTING PERIOD

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



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

For the six months ended 30 June 2022

	<i>Notes</i>	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	5	463,599	974,983
Cost of sales		(320,673)	(741,261)
Gross profit		142,926	233,722
Other income and gains	5	17,904	17,831
Selling and distribution expenses		(16,498)	(76,286)
Administrative expenses		(28,177)	(30,150)
Impairment of trade receivables, net		–	(405)
Other expenses		(188)	(622)
Finance costs	7	(7,823)	(5,426)
Share of profits and losses of:			
Joint ventures		(1,246)	(1,082)
Associates		(187)	–
Changes in fair value of financial liabilities at fair value through profit or loss		–	(1,610)
PROFIT BEFORE TAX	6	106,711	135,972
Income tax expense	8	(33,436)	(41,492)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		73,275	94,480
Attributable to:			
Owners of the parent		73,518	94,147
Non-controlling interests		(243)	333
		73,275	94,480
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	10	10.9 cents	14.1 cents
Diluted (RMB)	10	10.4 cents	13.7 cents

Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	4,329	2,898
Right-of-use assets		6,183	7,828
Goodwill		108,341	108,341
Other intangible assets	12	14,512	14,514
Investments in joint ventures	13	4,634	5,532
Investments in associates	14	8,348	6,037
Deferred tax assets		5,014	5,716
Total non-current assets		151,361	150,866
CURRENT ASSETS			
Inventories	15	1,312,887	1,100,009
Trade and notes receivables	16	722,883	802,959
Prepayments, other receivables and other assets	17	332,867	363,208
Due from a joint venture	25(b)	30,299	29,590
Pledged deposits	18	92,121	91,139
Cash and cash equivalents	18	253,532	302,796
Total current assets		2,744,589	2,689,701
CURRENT LIABILITIES			
Trade payables	19	171,545	256,828
Other payables and accruals	20	442,149	454,569
Interest-bearing bank and other borrowings	21	380,536	278,341
Lease liabilities		3,052	3,302
Tax payable		7,802	15,893
Dividend payable		48,000	48,000
Total current liabilities		1,053,084	1,056,933
NET CURRENT ASSETS		1,691,505	1,632,768
TOTAL ASSETS LESS CURRENT LIABILITIES		1,842,866	1,783,634

Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		2,549	3,889
Deferred tax liabilities		6,496	6,513
Total non-current liabilities		9,045	10,402
Net assets		1,833,821	1,773,232
EQUITY			
Equity attributable to owners of the parent			
Share capital	22	113	112
Treasury shares	22	(43,440)	(17,053)
Reserves		1,877,491	1,790,273
		1,834,164	1,773,332
Non-controlling interests		(343)	(100)
Total equity		1,833,821	1,773,232

Mr. Liu Xiaofeng
Director

Mr. Chen Chen
Director

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the parent									
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Treasury shares	Share award and option reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 22)	RMB'000 (note 22)	RMB'000	RMB'000	RMB'000 (note 22)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	112	1,375,145	10,096	13,320	(17,053)	74,853	316,859	1,773,332	(100)	1,773,232
Total comprehensive income for the period	-	-	-	-	-	-	73,518	73,518	(243)	73,275
Equity-settled share award and option arrangements	-	-	-	-	-	15,441	-	15,441	-	15,441
Share options vested	1	3,858	-	-	-	(3,858)	-	1	-	1
Repurchase of shares	-	-	-	-	(28,128)	-	-	(28,128)	-	(28,128)
Restricted shares units vested	-	4,446	-	-	1,741	(6,187)	-	-	-	-
At 30 June 2022 (unaudited)	113	1,383,449*	10,096*	13,320*	(43,440)	80,249*	390,377*	1,834,164	(343)	1,833,821

	Attributable to owners of the parent									
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Share award or option reserve	Retained profits	Total	Non-controlling interests	Total equity	
	RMB'000 (note 22)	RMB'000 (note 22)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	-	-	-	-	-	94,147	94,147	333	94,480	
Equity-settled share award expense	-	-	-	-	8,583	-	8,583	-	8,583	
Issue of shares	95	933,365	-	-	-	-	933,460	-	933,460	
Share issue expenses	-	(32,788)	-	-	-	-	(32,788)	-	(32,788)	
Conversion of preferred shares to ordinary shares	16	477,022	-	-	-	-	477,038	-	477,038	
Disposal of a subsidiary	-	-	-	-	-	-	-	(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	

* These reserve accounts comprise the consolidated reserves of RMB1,877,491,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2022.

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		106,711	135,972
Adjustments for:			
Depreciation of property, plant and equipment	11	506	2,225
Depreciation of right-of-use assets	6	1,645	1,469
Amortisation of other intangible assets	12	2	880
Interest income from loans receivable	5	(3,187)	(1,106)
Interest income from amount due from a joint venture	5	(709)	–
Share of profits and losses of joint ventures		1,246	1,082
Share of profits and losses of associates		187	–
Finance costs		7,823	5,426
Investment income from financial assets			
at fair value through profit or loss	5	–	(16)
Equity-settled share award and option expenses		12,426	8,583
Changes in fair value of financial liabilities			
at fair value through profit or loss		–	1,610
Net foreign exchange differences		188	(6,681)
Loss on disposal of a joint venture	6	–	622
Impairment of trade receivables, net	6	–	405
		126,838	150,471
(Increase)/decrease in inventories		(211,959)	248,441
Decrease/(increase) in trade and notes receivables		78,101	(372,426)
Decrease/(increase) in prepayments, other receivables and other assets		58,267	(58,171)
Decrease in restricted cash		–	2,319
(Decrease)/increase in trade payables		(85,283)	95,130
Decrease in other payables and accruals		(10,153)	(208,557)
Cash used in operations		(44,189)	(142,793)
Income tax paid		(33,217)	(10,022)
Net cash flows used in operating activities		(77,406)	(152,815)

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Net cash flows used in operating activities	(77,406)	(152,815)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(2,111)	(396)
Purchases of financial assets at fair value through profit or loss	-	(19,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	19,000
Investment income from financial assets at fair value through profit or loss	-	16
Interest received from loans receivable	1,810	4,900
Repayment of advances of loans to third parties	56,000	10,600
Purchase of shareholding of joint ventures	-	(3,060)
Advances of loans to third parties	(90,000)	(17,000)
Advances of loan to a joint venture	-	(22,758)
Disposal of a joint venture	-	14,000
Disposal of a subsidiary	-	(402)
Increase in pledged deposits	(982)	-
Net cash flows used in investing activities	(35,283)	(14,100)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from initial public offering	-	933,460
Proceeds from share options vested	1	-
Share issue expenses	(2,793)	(25,372)
New bank loans	140,600	14,500
Proceeds from borrowing from a third party	-	11,000
Repayment of bank loans	(40,000)	-
Repayment of a joint venture	-	(71,000)
Interest paid	(4,737)	(8,490)
Dividend paid	-	(40,000)
Principal portion of lease payments	(1,590)	(1,442)
Repurchase of shares	(28,128)	-
Net cash flows from financing activities	63,353	812,656
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(49,336)	645,741
Effect of foreign exchange rate changes, net	72	6,681
Cash and cash equivalents at beginning of period	302,796	95,598
CASH AND CASH EQUIVALENTS AT END OF PERIOD	253,532	748,020
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	253,532	748,020
Cash and cash equivalents as stated in the consolidated statements of cash flows and consolidated statement of financial position	253,532	748,020

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2022

1. CORPORATE INFORMATION

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

The Company is an investment holding company. The Company’s subsidiaries and the Consolidated Affiliated Entities 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 2022 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 2021.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Mainland China	463,574	974,983
Others	25	–
	463,599	974,983

The revenue information above is based on the locations of the customers.

(b) Non-current assets

The Group's non-current assets are all located in Mainland China.

Information about major customers

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

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Customer 1	249,056	754,942
Customer 2	190,566	N/A*
Customer 3	N/A*	120,283

* 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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue from contracts with customers	463,599	974,983

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Type of goods or services		
Licensing of the broadcasting rights of drama series	461,647	483,704
Made-to-order drama series production	–	457,664
Others	1,952	33,615
Total revenue from contracts with customers	463,599	974,983
Geographical markets		
Mainland China	463,574	974,983
Others	25	–
Total revenue from contracts with customers	463,599	974,983

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

Disaggregated revenue information for revenue from contracts with customers (cont'd)

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	463,599	488,873
Services transferred over time	–	486,110
Total revenue from contracts with customers	463,599	974,983

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Government grants (<i>note</i>)	12,321	7,265
Bank interest income	1,514	2,607
Interest income from loans receivable	3,187	1,106
Interest income from amount due from a joint venture	709	–
Investment income from financial assets at fair value through profit or loss	–	16
Investment income from the co-investment arrangements in drama series	–	1
Net foreign exchange differences	–	6,681
Others	173	155
	17,904	17,831

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	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Cost of inventories sold		320,673	741,261
Depreciation of property, plant and equipment	11	506	2,225
Depreciation of right-of-use assets		1,645	1,469
Amortisation of other intangible assets*	12	2	880
Government grants	5	(12,321)	(7,265)
Bank interest income	5	(1,514)	(2,607)
Investment income from financial assets at fair value through profit or loss	5	–	(16)
Interest income from loans receivable	5	(3,187)	(1,106)
Interest income from amount due from a joint venture	5	(709)	–
Changes in fair value of financial liabilities at fair value through profit or loss		–	1,610
Lease payments not included in the measurement of lease liabilities		33	1,159
Net foreign exchange differences		188	(6,681)
Listing expenses		–	3,694
Auditor's remuneration		800	800
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		4,660	3,673
Equity-settled share award expense		4,084	–
Pension scheme contributions		354	215
Staff welfare expenses		300	159
		9,398	4,047
Share of profits and losses of joint ventures		1,246	1,082
Share of profits and losses of associates		187	–
Loss on disposal of a joint venture		–	622
Impairment of trade receivables, net		–	405

* 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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interest on bank loans	4,569	4,703
Interest on other borrowings from third parties	1,111	543
Interest on discounted notes receivable	1,975	–
Interest on lease liabilities	168	180
	7,823	5,426

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 first year in which 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 since 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. Wuxi Strawbear, Hainan Jiujun, Hainan Xuxuxing and Hainan Yiming are recognised as Small and Low-profit Enterprises, and the first RMB1,000,000 of assessable profits of these subsidiaries are taxed at 2.5% and the remaining assessable profits are 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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current – Mainland China		
Charge for the period	32,751	31,366
Deferred tax	685	10,126
Total tax charge for the period	33,436	41,492

9. DIVIDENDS

The Board did not declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

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

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect changes in fair value of financial liabilities at fair value through profit or loss and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares arising from the restricted share units and the share options.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONT'D)

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

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	73,518	94,147
Less:		
Changes in fair value of financial liabilities at fair value through profit or loss	–	(1,610)
Profit attributable to ordinary equity holders of the parent, before changes in fair value of financial liabilities at fair value through profit or loss	73,518	95,757
	Number of shares For the six months ended 30 June	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	677,516,769	669,648,768
Effect of dilution – weighted average number of ordinary shares:		
Restricted share units	7,234,333	–
Share options	23,421,961	30,500,887
	708,173,063	700,149,655

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Carrying amount at beginning of period/year	2,898	9,411
Additions	1,937	1,647
Disposal of a subsidiary	-	(4,140)
Depreciation provided during the period/year	(506)	(3,307)
Disposals	-	(713)
Carrying amount at end of period/year	4,329	2,898

12. OTHER INTANGIBLE ASSETS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Carrying amount at beginning of period/year	14,514	26,192
Disposal of a subsidiary	-	(10,104)
Amortisation provided during the period/year	(2)	(1,574)
Carrying amount at end of period/year	14,512	14,514

13. INVESTMENTS IN JOINT VENTURES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Share of net assets	4,634	5,532

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

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Share of the joint ventures' (losses)/profits for the period/year	(1,246)	1,904
Share of the joint ventures' total comprehensive (loss)/income for the period/year	(1,246)	1,904
Aggregate carrying amount of the Group's investments in joint ventures	4,634	5,532

The Group's shareholdings in the joint ventures all comprise equity shares held by wholly-owned subsidiaries of the Company and the Consolidated Affiliated Entities.

14. INVESTMENTS IN ASSOCIATES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Share of net assets	8,348	6,037

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Share of the associates' losses for the period/year	(187)	(831)
Share of the associates' total comprehensive loss for the period/year	(187)	(831)
Aggregate carrying amount of the Group's investments in associates	8,348	6,037

The Group's shareholdings in the associates all comprise equity shares held by wholly-owned subsidiaries of the Company and the Consolidated Affiliated Entities.

15. INVENTORIES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Raw materials	172,765	144,203
Work in progress	1,108,375	776,873
Finished goods	31,747	178,933
	1,312,887	1,100,009

16. TRADE AND NOTES RECEIVABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade receivables	550,690	712,174
Notes receivable	189,478	108,070
	740,168	820,244
Impairment	(17,285)	(17,285)
	722,883	802,959

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

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 3 months	279,790	232,121
3 to 6 months	8,589	217,522
6 to 12 months	228,257	193,852
1 to 2 years	7,271	51,251
2 to 3 years	9,498	143
Over 3 years	-	-
	533,405	694,889

Included in the Group's trade receivables were amounts due from the Group's related parties of RMB222,706,000 (31 December 2021: RMB240,816,000), 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 RMB304,033,000 (31 December 2021: RMB649,438,000), were pledged to secure the bank loans granted to the Group.

16. TRADE AND NOTES RECEIVABLES (CONT'D)

As at 30 June 2022, notes receivable of RMB43,000,000 (31 December 2021: RMB20,000,000), whose fair values approximate to their carrying values, were classified as financial assets through other comprehensive income under HKFRS 9, and the remaining notes receivable of RMB146,478,000 (31 December 2021: RMB88,070,000) were measured at amortised cost.

As at 30 June 2022, the Group endorsed certain notes receivable accepted by banks in Mainland China (the “**Endorsed Notes**”) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “**Endorsement**”) with a carrying amount in aggregate of RMB18,000,000 (31 December 2021: RMB41,370,000). In addition, as at 30 June 2022, the Group discounted certain notes receivable accepted by certain banks in Mainland China (the “**Discounted Notes**”) with a carrying amount in aggregate of RMB118,800,000 (31 December 2021: 79,200,000). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”).

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks with an amount of RMB6,000,000 (31 December 2021: RMB40,500,000) as at 30 June 2022, (the “**Derecognised Notes**”). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables settled by the Endorsed Notes.

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

At 30 June 2022, the Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade payables settled with an amount of RMB12,000,000 (31 December 2021: RMB870,000), and to recognise the proceeds received from the discount of the remaining Discounted Notes with an amount of RMB118,800,000 (31 December 2021: RMB79,200,000) as short-term loan because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed and Discounted Notes. During the period, the Group recognised the interest expense on the discounted notes receivable amounting to RMB1,975,000 (six months ended 30 June 2021: Nil).

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Prepayments	117,947	177,509
Prepayments under the co-investment arrangements	78,582	76,283
Loans receivable	66,672	31,296
Deductible input value-added tax	57,477	44,541
Deposits and other receivables	11,666	25,431
Prepaid income tax	523	8,148
	332,867	363,208

Included in the prepayments are prepayments to the Group's related parties of RMB126,000 (31 December 2021: RMB4,500,000).

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Cash and bank balances	253,532	302,796
Time deposits	92,121	91,139
	345,653	393,935
Less: Pledged time deposits:		
Pledged for short term bank loans	92,121	91,139
Cash and cash equivalents	253,532	302,796
Denominated in:		
RMB	230,984	297,157
HK\$	22,548	5,639
Total cash and cash equivalents	253,532	302,796

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

19. TRADE PAYABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade payables	171,545	256,828

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 3 months	31,836	92,640
3 to 6 months	4,800	16,230
6 to 12 months	66,558	103,550
1 to 2 years	41,160	33,608
2 to 3 years	21,500	7,555
Over 3 years	5,691	3,245
	171,545	256,828

Included in the trade payables were trade payables of RMB11,843,000 (31 December 2021: RMB61,944,000), 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.

20. OTHER PAYABLES AND ACCRUALS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Contract liabilities	389,677	392,603
Other payables	38,088	42,649
Other tax payables	13,891	13,943
Payroll and welfare payable	493	343
Interest payable	–	484
Accrued liabilities	–	4,547
	442,149	454,569

Included in contract liabilities are advances received from the Group's related parties of RMB324,962,000 (31 December 2021: RMB286,603,000).

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2022 (Unaudited) RMB'000
Current			
Bank loan – secured (<i>note (a)</i>)	5.22	2022	130,679
Bank loan – secured (<i>note (b)</i>)	5.22	2023	21,028
Bank loan – secured (<i>note (c)</i>)	4.60	2023	40,015
Bank loan – unsecured	4.85	2023	10,012
Bank loan – unsecured	4.75	2022	20,026
Bank loan – unsecured	4.40	2023	10,000
Discounted notes receivable – secured (<i>note (e)</i>)	5.00	2022	118,800
Other borrowing – unsecured	8.00	2022	29,976
			380,536

	Effective interest rate (%)	Maturity	31 December 2021 (Audited) RMB'000
Current			
Bank loan – secured (<i>note (a)</i>)	5.22	2022	130,213
Bank loan – secured (<i>note (d)</i>)	5.22	2022	30,048
Discounted notes receivable – secured (<i>note (e)</i>)	5.00	2022	79,200
Bank loan – unsecured	4.85	2022	10,015
Other borrowing – unsecured	8.00	2022	28,865
			278,341

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	350,560	249,476
Other borrowing repayable:		
Within one year or on demand	29,976	28,865
	380,536	278,341

Notes:

- (a) The Group's bank loan is secured by the pledge of certain of the Group's trade receivables amounting to RMB156,033,000 (31 December 2021: RMB544,438,000) and short term deposits amounting to RMB31,021,000 (31 December 2021: RMB30,529,000) and are guaranteed by the Company.
- (b) The Group's bank loan is secured by the pledge of certain of the Group's trade receivables amounting to RMB68,000,000 and is guaranteed by subsidiaries.
- (c) The Group's bank loan is secured by the pledge of certain of the Group's trade receivables amounting to RMB80,000,000.
- (d) The Group's bank loan was secured by the pledge of certain of the Group's trade receivables amounting to RMB105,000,000 and was guaranteed by subsidiaries.
- (e) The Group's discounted notes receivable are secured by the pledge of short term deposits amounting to RMB61,100,000 (31 December 2021: RMB60,610,000).

22.SHARE CAPITAL

	30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
Authorised:		
2,000,000,000 (31 December 2021: 2,000,000,000) ordinary shares of US\$0.000025 each	50	50
Issued and fully paid:		
696,629,400 (31 December 2021: 694,747,000) ordinary shares of US\$0.000025 each	17	17

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

	Number of shares in issue	Share capital RMB'000	Shares premium RMB'000	Treasury shares RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022	694,747,000	112	1,375,145	(17,053)	1,358,204
Share options vested (<i>note (a)</i>)	1,882,400	1	3,858	–	3,859
Repurchase of shares (<i>note (b)</i>)	–	–	–	(28,128)	(28,128)
Restricted share units vested (<i>note (c)</i>)	–	–	4,446	1,741	6,187
At 30 June 2022	696,629,400	113	1,383,449	(43,440)	1,340,122

Notes:

- (a) On 12 May 2022, 1,882,400 new ordinary shares were issued upon the exercise of share options by a director of the Company under the Pre-IPO Share Option Scheme.
- (b) During the period from 20 April 2022 to 19 May 2022, 10,000,000 shares were repurchased for the trustee under the 2021 RSU Scheme and the 2022 RSU Scheme to hold on trust for the grantees of the restricted share units at a total cash consideration of RMB28,128,000.
- (c) On 20 May 2022, 668,200 restricted share units were vested.

23.SHARE AWARD AND SHARE OPTION SCHEMES

(a) Pre-IPO Share Option Scheme

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 are 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 during the period:

	Weighted average exercise price US\$ per share	Number of options
At 31 December 2021 and 1 January 2022	0.000025	37,648,000
Vested during the period	0.000025	(1,882,400)
At 30 June 2022	0.000025	35,765,600

The fair value of the Pre-IPO Share Options granted in 2020 was approximately RMB77,152,000, of which the Group recognised a share option expense of RMB8,342,000 during the period (six months ended 30 June 2021: RMB8,583,000).

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.

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

23.SHARE AWARD AND SHARE OPTION SCHEMES (CONT'D)

(b) 2021 RSU Scheme

The Company has adopted the 2021 RSU Scheme to reward employees of the Company, senior management of subsidiaries of the Company, and business partners (including top artists such as directors, screenwriters, etc.) of the Group 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. The Group granted restricted share units ("**RSUs**") of the Company under the 2021 RSU Scheme.

To facilitate the implementation and administration of the RSUs, the Company entered into the Trust Deed and appointed Futu Trustee Limited as the Trustee for the administration of the 2021 RSU Scheme pursuant to the Rules. The 2021 RSU Scheme shall be subject to the administration of the board of directors (the "**Board**") and the Trustee in accordance with the terms of the 2021 RSU Scheme and, where applicable, the Trust Deed.

The 2021 RSU Scheme shall be valid and effective for a term of ten years commencing from the date on which the Board adopted the 2021 RSU Scheme.

On 4 November 2021, the Company granted an aggregate of 16,780,000 RSUs, representing 16,780,000 underlying shares, to 59 eligible participants approved by the Board for participation in the 2021 RSU Scheme on the relevant grant date (the "**Grantees**") at nil consideration pursuant to the 2021 RSU Scheme, all of which were accepted by the Grantees. The grant of an aggregate of 16,780,000 RSUs to the Grantees shall be satisfied by (i) the issue and allotment of 6,780,000 new shares at par value to the Trustee pursuant to the general mandate; and (ii) 10,000,000 existing shares to be acquired by the Trustee on the market. The Company will provide sufficient funds through its internal resources to the Trustee to enable the Trustee to satisfy its obligations in connection with the vesting of RSUs granted to the Grantees. The exercise price of the RSUs is nil.

The vesting schedule of the 16,780,000 RSUs granted to the Grantees shall be as follows:

- (i) In relation to the 1,600,000 RSUs granted: The RSUs shall vest on 11 November 2021.
- (ii) In relation to the 2,080,000 RSUs granted: 20% of the RSUs shall vest on 11 November 2021, 20% of the RSUs shall vest on 11 November 2022, 30% of the RSUs shall vest on 11 November 2023, and 30% of the RSUs shall vest on 11 November 2024. There is no performance target required except that the eligible participant remains as an employee of the Group during the vesting period.
- (iii) In relation to the 9,300,000 RSUs granted: One-third of the RSUs shall vest on 1 January 2023, 1 January 2024, and 1 January 2025, respectively. There are performance targets required.
- (iv) In relation to the 800,000 RSUs granted: 25% of the RSUs shall vest on 25 January 2023, 25 January 2024, 25 January 2025, and 25 January 2026, respectively. There are performance targets required.
- (v) In relation to the 3,000,000 RSUs granted: 25% of the RSUs shall vest on 1 January 2023, 1 January 2024, 1 January 2025, and 1 January 2026, respectively. There are performance targets required.

23.SHARE AWARD AND SHARE OPTION SCHEMES (CONT'D)

(b) 2021 RSU Scheme (cont'd)

On 19 April 2022, the Company granted an aggregate of 3,859,000 RSUs, representing 3,859,000 underlying shares, to 6 Grantees at nil consideration pursuant to the 2021 RSU Scheme, all of which were accepted by the Grantees. The grant of an aggregate of 3,859,000 RSUs to the Grantees shall be satisfied by the existing shares to be acquired by the Trustee on the market. The Company will provide sufficient funds through its internal resources to the Trustee to enable the Trustee to satisfy its obligations in connection with the vesting of RSUs granted to the Grantees. The exercise price of the RSUs is nil.

In relation to the 3,859,000 RSUs granted: One-third of the RSUs shall vest on 1 May 2023, 1 May 2024, and 1 May 2025, respectively. There are performance targets required.

The following awarded shares were outstanding under the 2021 RSU Scheme during the period:

	Number of shares held for the RSU Scheme	Number of awarded shares
Outstanding at 1 January 2022	–	14,764,000
Repurchase of shares	3,859,000	–
Forfeited	–	(32,000)
Granted during the period	(3,859,000)	3,859,000
Outstanding at 30 June 2022	–	18,591,000

	Number of shares held for the RSU Scheme	Number of awarded shares
Outstanding at 1 January 2021	–	–
Issue of shares	6,780,000	–
Repurchase of shares	10,000,000	–
Granted during the year	(1,6780,000)	16,780,000
Vested during the year	–	(2,016,000)
Outstanding at 31 December 2021	–	14,764,000

23.SHARE AWARD AND SHARE OPTION SCHEMES (CONT'D)

(b) 2021 RSU Scheme (cont'd)

The fair value of RSUs granted to suppliers and employees was estimated as at the date of receipt or grant by management based on the closing price of the Group's stock on the valuation base date, taking into account the effect of illiquidity discounts during lock-up periods. The following table lists the inputs used:

	As at 19 April 2022	As at 30 June 2022
Liquidity discount (%)	20.00%	20.00%

During the period, the Group recorded share-based compensation of RMB3,791,000 (six months ended 30 June 2021: Nil), of which RMB776,000 was recognised to profit or loss, RMB2,667,000 was recognised in inventories and RMB348,000 was recognised in share of loss of a joint venture.

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

(c) 2022 RSU Scheme

The Company has adopted a 2022 RSU Scheme to reward employees of the Company, senior management of subsidiaries of the Company, and business partners (including top artists such as directors, screenwriters, etc.) of the Group 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. The 2022 RSU Scheme will be maintained in parallel with the Pre-IPO Share Option Scheme, the 2021 RSU Scheme and such other share incentive schemes which may be adopted by the Company from time to time.

To facilitate the implementation and administration of the RSUs, the Company entered into the Trust Deed and appointed Futu Trustee Limited as the Trustee for the administration of the 2022 RSU Scheme pursuant to the Rules. The 2022 RSU Scheme shall be subject to the administration of the Board and the Trustee in accordance with the terms of the 2022 RSU Scheme and, where applicable, the Trust Deed.

The 2022 RSU Scheme shall be valid and effective for a term of ten years commencing from the date on which the Board adopted the 2022 RSU Scheme.

On 28 April 2022, the Company granted an aggregate of 6,141,000 RSUs, representing 6,141,000 underlying shares, to 21 Grantees at nil consideration pursuant to the 2022 RSU Scheme, all of which were accepted by the Grantees. The grant of an aggregate of 6,141,000 RSUs to the Grantees shall be satisfied by the existing shares to be acquired by the Trustee on the market. The Company will provide sufficient funds through its internal resources to the Trustee to enable the Trustee to satisfy its obligations in connection with the vesting of RSUs granted to the Grantees. The exercise price of the RSUs is nil.

23.SHARE AWARD AND SHARE OPTION SCHEMES (CONT'D)

(c) 2022 RSU Scheme (cont'd)

The vesting schedule of the 6,141,000 RSUs granted to the Grantees shall be as follows:

- (i) In relation to the 2,800,000 RSUs granted: 5% of the RSUs shall vest on 11 November 2022, 10% of the RSUs shall vest on 11 November 2023, 15% of the RSUs shall vest on 11 November 2024, 20% of the RSUs shall vest on 11 November 2025, 25% of the RSUs shall vest on 11 November 2026, and 25% of the RSUs shall vest on 11 November 2027.
- (ii) In relation to the 3,341,000 RSUs granted: 20% of the RSUs shall vest on 20 May 2022, 20% of the RSUs shall vest on 11 November 2023, 30% of the RSUs shall vest on 11 November 2024, and 30% of the RSUs shall vest on 11 November 2025.

There is no performance target required except that the eligible participant remains as an employee of the Group during the vesting period.

The following awarded shares were outstanding under the 2022 RSU Scheme during the period:

	Number of shares held for the 2022 RSU Scheme	Number of awarded shares
Outstanding at 1 January 2022	-	-
Repurchase of shares	6,141,000	-
Granted during the period	(6,141,000)	6,141,000
Vested during the period	-	(668,200)
Outstanding at 30 June 2022	-	5,472,800

The fair value of RSUs granted to employees in 2022 under the 2022 RSU Scheme estimated by management is based on the closing price of the Group's stock on the valuation base date.

The fair value of the RSUs granted during the period was RMB20,032,000, of which the Group recognised a share award expense of RMB3,308,000 during the period (six months ended 30 June 2021: Nil).

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

24.COMMITMENTS

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Contracted, but not provided for: Drama series	410,743	429,528

25.RELATED PARTY TRANSACTIONS

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

Company	Relationship with the Company
Zhejiang Dongyang Chestnutbear Film and Television Culture Co., Ltd. (" Dongyang Chestnutbear ")	An associate of the Group
Xiangshan Xingyu Yinyue Culture Media Co., Ltd (" Xingyu Yinyue ")	A joint venture of the Group
Hainan Miduoqi Entertainment Co., Ltd. (" Hainan Miduoqi ")	A joint venture of the Group
Beijing iQIYI Technology Co., Ltd. (" Beijing iQIYI ")	An entity controlled by a shareholder
Hainan iQIYI Information Technology Co., Ltd. (" Hainan iQIYI ")	An entity controlled by a shareholder
Nanjing Huawen Strawbear Cultural Partnership (Limited Partnership) (" Nanjing Huawen ")*	A former joint venture of the Group

* The joint venture was disposed of by the Group to a third party in May 2021.

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	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Sales of goods to:			
Beijing iQIYI	(i)	203,773	457,687
Hainan iQIYI	(i)	45,283	297,255
Purchases of goods from:			
Beijing iQIYI	(ii)	–	30,142
Dongyang Chestnutbear	(ii)	38,735	–
Repayments to:			
Nanjing Huawei		–	71,000
Interest expenses to:			
Nanjing Huawei		–	1,605
Loans to:			
Xingyu Yinyue	(iii)	–	22,750
Hainan Miduoqi		–	8
Interest income from:			
Xingyu Yinyue	(iii)	709	227

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 provided a loan to Xingyu Yinyue in 2021, and the loan is unsecured and bears interest at 5% per annum.

25. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Outstanding balances with related parties:

(i) Trade receivables

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Beijing iQIYI	181,848	109,734
Hainan iQIYI	40,858	131,082
	222,706	240,816

(ii) Prepayments, other receivables and other assets

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Dongyang Chestnutbear	126	4,500

(iii) Trade payables

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Beijing iQIYI	11,843	38,359
Xingyu Yinyue	-	23,585
	11,843	61,944

25. RELATED PARTY TRANSACTIONS (CONT'D)

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

(iv) Other payables and accruals

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Beijing iQIYI	324,962	286,603

(v) Due from a joint venture

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Xingyu Yinyue	30,299	29,590

Except for the loan to Xingyu Yinyue stated in note (a)(iii) above and transactions detailed elsewhere in notes 16, 17, 19 and 20, the balances with related parties are unsecured, interest-free and repayable on demand.

Except for the amounts stated in (b)(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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Salaries, allowances and benefits in kind	1,623	911
Equity-settled share award expense	8,342	8,583
Pension scheme contributions	85	68
Total compensation paid to key management personnel	10,050	9,562

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 2022 (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	43,000	146,478	189,478
Trade receivables	–	533,405	533,405
Financial assets included in prepayments, other receivables and other assets	–	78,338	78,338
Due from a joint venture	–	30,299	30,299
Pledged deposits	–	92,121	92,121
Cash and cash equivalents	–	253,532	253,532
	43,000	1,134,173	1,177,173

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000
Trade payables	171,545	171,545
Lease liabilities	5,601	5,601
Interest-bearing bank and other borrowings	380,536	380,536
Financial liabilities included in other payables and accruals	38,088	38,088
Dividend payable	48,000	48,000
	643,770	643,770

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 2021 (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	20,000	88,070	108,070
Trade receivables	–	694,889	694,889
Financial assets included in prepayments, other receivables and other assets	–	56,727	56,727
Due from a joint venture	–	29,590	29,590
Pledged deposits	–	91,139	91,139
Cash and cash equivalents	–	302,796	302,796
	20,000	1,263,211	1,283,211

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000
Trade payables	256,828	256,828
Lease liabilities	7,191	7,191
Interest-bearing bank and other borrowings	278,341	278,341
Financial liabilities included in other payables and accruals	47,680	47,680
Dividend payable	48,000	48,000
	638,040	638,040

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, dividend payable and interest-bearing bank and other borrowings, lease liabilities and amount due from 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 2022 were assessed to be insignificant.

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 2022 (unaudited)

	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	–	43,000	–	43,000

As at 31 December 2021 (audited)

	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	–	20,000	–	20,000

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 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

There was no event causing significant impact on the Group since 30 June 2022.

Definitions and Glossaries

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

“2021 RSU Scheme”	the restricted share unit scheme adopted by the Company on September 15, 2021, as amended from time to time
“2022 RSU Scheme”	the 2022 restricted share unit scheme adopted by the Company on April 28, 2022, as amended from time to time
“Articles of Association”	the amended and restated memorandum and articles of association of the Company adopted on December 18, 2020 with effect from the Listing Date, as amended from time to time
“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 Taiwan Province, Hong Kong and the Macau Special Administrative Region of the PRC
“Committee”	a committee established and delegated with the power and authority by the Board to administer the RSU Schemes
“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

Definitions and Glossaries

“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Nanjing Strawbear, Jiangsu Strawbear and its registered shareholders, details of which are described in “Contractual Arrangements” in the Prospectus
“COVID-19”	novel coronavirus pneumonia
“D2C”	direct-to-consumer, a business model that manufacturers selling directly to their end-customers
“Director(s)”	director(s) of the Company
“drama series”	refers to the content produced for broadcast via TV channels or the internet, which is usually released in episodes that follow a narrative, consisting of TV series and web series
“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 Schemes 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, Reorganisation 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”	the Company, its subsidiaries and Consolidated Affiliated Entities at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$”	Hong Kong dollars 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

Definitions and Glossaries

“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, one of the Group’s controlling shareholders
“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 Group’s 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 Group’s controlling shareholders and one of the registered shareholders of Jiangsu Strawbear
“Ms. Liu”	Ms. Liu Shishi (劉詩施), one of the Group’s 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 Group’s 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 ceased to be one of Consolidated Affiliated Entities of the Company from November 26, 2021
“NRTA”	National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), the successor of the State Administration of Press, Publication, Radio, Film, and Television of the PRC (中華人民共和國國家新聞出版廣播電總局)
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme approved and adopted by the Company on May 11, 2020, the principal terms of which are summarised in “Appendix IV – Statutory and General Information – D. Other Information – (1) Pre-IPO Share Option Scheme” in the Prospectus
“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
“Reporting Period”	the six-month period from January 1, 2022 to June 30, 2022
“RMB” or “Renminbi”	the lawful currency of the PRC
“RSU Scheme(s)”	2021 RSU Scheme and/or 2022 RSU Scheme
“RSU(s)”	restricted share unit(s) to be granted under the RSU Schemes, each of which represents one underlying Share, and represent a conditional right granted to any Selected Participant under the RSU Schemes to obtain the corresponding economic value of the underlying Shares, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion
“Selected Participant(s)”	any Eligible Participant approved by the Board for participation in the RSU Schemes 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

Definitions and Glossaries

“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
“Taurus Holding”	Taurus Holding Ltd., a BVI business company incorporated under the laws of the BVI on November 28, 2018, one of the Group’s substantial shareholders
“TV”	television
“TV series”	a series of scripted episodes that needs to obtain a distribution licence from the NRTA, which are broadcast on TV channels and/or new media channels such as online video platforms
“US\$”	United States dollars, the lawful currency for the time being of the United States
“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, Reorganisation 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.

