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a metaverse company

A Metaverse Company

— 元 宇 宙 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1616)

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

SUMMARY

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

The board (the “**Board**”) of directors (the “**Director(s)**”) of A Metaverse Company (the “**Company**”) announces the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Period Under Review**”) together with the comparative figures for the corresponding period in 2023 and the relevant explanatory notes as set out below. The consolidated interim results are unaudited, but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – Unaudited

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – Unaudited

		As at 30 June 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		833	509
Intangible assets		10,000	11,000
Financial assets at fair value through profit or loss		1,577	1,577
Investments in associates		20	20
Drama series and films		48,004	48,104
		<u>60,434</u>	<u>61,210</u>
Current assets			
Trade and other receivables	9	233,031	27,195
Cash and cash equivalents		15,793	236,748
		<u>248,824</u>	<u>263,943</u>
Current liabilities			
Trade and other payables	10	11,994	21,067
Other borrowings		88,915	86,632
Lease liabilities		373	175
Current taxation		12,384	13,342
		<u>113,666</u>	<u>121,216</u>
Net current assets		<u>135,158</u>	<u>142,727</u>
Total assets less current liabilities		<u>195,592</u>	<u>203,937</u>
Non-current liabilities			
Lease liabilities		358	275
Deferred tax liabilities		539	539
		<u>897</u>	<u>814</u>
Net assets		<u>194,695</u>	<u>203,123</u>
Capital and reserves			
Share capital		137,801	137,801
Reserves		56,894	65,322
Total equity		<u>194,695</u>	<u>203,123</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

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

Application of amendments to IFRSs

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

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

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

3. REVENUE

(a) Disaggregation of revenue

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

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

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

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

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

4. OTHER INCOME, GAINS OR LOSSES, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Net income from investments in drama series and films (<i>Note</i>)	–	852
Net foreign exchange loss	(5,489)	(7,091)
Gain on disposal of a subsidiary (<i>Note 11</i>)	4,416	–
Others	3,211	4,580
	<u>2,138</u>	<u>(1,659)</u>

Note:

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

5. LOSS BEFORE TAXATION

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

(a) Net finance costs

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

(b) **Other items**

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

6. INCOME TAX

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

7. LOSS PER SHARE

(a) **Basic loss per share**

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

(b) **Diluted loss per share**

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

8. DIVIDENDS

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

9. TRADE AND OTHER RECEIVABLES

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

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

Notes:

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

11. DISPOSAL OF A SUBSIDIARY

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

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

	<i>RMB’000</i>
Consideration	
Cash	100
	<u>100</u>
Current assets	
Trade and other receivables	1,701
Cash and cash equivalents	22
Current liabilities	
Trade and other payables	(5,081)
Tax payable	(958)
	<u>(5,939)</u>
Net liabilities disposed of	(4,316)
Gain on disposal (<i>Note</i>)	4,416
	<u>4,416</u>
Total consideration	100
	<u>100</u>
Net cash outflow arising on disposal	
Cash consideration received	100
Less: cash and cash equivalents disposed of	(22)
	<u>(22)</u>
	<u>78</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

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

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

In respect of the drama business, according to the information released by the State Administration of Radio, Film and Television ("SARFT"), the number of TV dramas filed in the first half of 2024 was 320, representing a significant increase compared to 234 for the same period last year, and the drama market has shown a clear momentum of recovery. According to Dengta data, the number of active dramas broadcasted in the first half of 2024 totaled 149, with a decrease of 12 from 161 in the same period last year, while cumulative positive airings increased by 35.1%. This trend demonstrated the steady development of the drama market in terms of "decreasing quantity and increasing quality", and signals that the domestic drama market is moving towards a more diversified and refined future. At the same time, the development of micro-dramas has also entered a new stage of quality improvement and upgrading. In January 2024, SARFT issued the "Notice on Launching the Creative Program of 'Traveling with Micro-Dramas'", which proposed that 100 excellent micro-dramas on the theme of 'Traveling with Micro-Dramas' would be created and broadcasted in 2024, on the one hand, to give full play to the advantages of micro-dramas in

communication to form a number of new models of “micro-drama + culture and tourism” fusion on promotion of consumption that can be replicated and promoted, and on the other hand, to promote the creation of micro-dramas towards the direction of standardization and refinement. On 1 June 2024, SARFT formally implemented new regulations on the management of micro-dramas, which called for the implementation of the responsibilities of industry supervision, local management, and platforms, as well as the implementation of “classified and stratified examination” of micro-dramas.

BUSINESS REVIEW

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

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

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

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

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

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

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

Distribution costs

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

Administrative expenses

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

Other income, gains or losses, net

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

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

Reversal of impairment losses on trade and other receivables

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

Net finance costs

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

Taxation

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

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

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

Liquidity and financial resources

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

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

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

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

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

Capital structure

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

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

Capital commitments

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

Employee and remuneration policy

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

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

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

Exposure to foreign exchange risk and relative hedge

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

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

Contingent liabilities

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

Charges on assets

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

Significant investments

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

Future plans for material investments and capital assets

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

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

On 20 June 2024, Beijing Starrise Cultural Development Co., Ltd (北京星宏文化發展有限公司) (the “**Vendor**”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Chongqing Zhiyuan Film & Television Culture Media Co., Ltd. (重慶致遠影視文化傳媒有限公司) (the “**Purchaser A**”), an independent third party of the Group, pursuant to which the Vendor agreed to sell and Purchaser A agreed to acquire 100% equity interest in Ningbo Yuanning Media Co., Ltd. (寧波原寧文化傳媒有限公司) for a consideration of RMB100,000 (the “**Disposal**”). The consideration was received during the six months ended 30 June 2024. The Disposal was completed on 25 June 2024. Please also refer to note 11 to the consolidated financial statement of this announcement for details.

OUTLOOK

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

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

No.	Name	Genre	(Planned) Shooting commencement date	Status
1	Once Upon A Time In The Northeast (東北往事)	Youth nostalgic film	In March 2017	Submitted for screening
2	Brave Girls (哈嘍·馬大玲) (formerly known as Twin Blades (尖鋒姐妹) and Li Xiaolong and Programmer Girl (曆小龍與程序媛))	Theatrical film	In May 2019	Submitted for screening
3	Night Screaming (一夜驚笑) (formerly known as “Scream” (驚聲尖笑), “Horror Blockbuster” (恐不大片))	Internet micro-drama	In November 2017	Waiting for premiering
4	Legend of Taotie (饕餮記)	Internet dramas	In October 2018	At the release stage
5	GO! REX (你好·霸王龍)	Animated film	In May 2017	Preparing for release
6	Tiger Wolf Road (虎狼之路)	Theatrical film	–	In post-production
7	The Iron Bone and Steel Fist (鐵骨鋼拳)	Internet movie	To be determined	Preparing for filming
8	Emergency Rescuing (心跳營救)	Internet movie	To be determined	Preparing for filming
9	King of the Sniper (狙擊之王)	Internet movie	To be determined	Preparing for filming
10	Tianta Crisis (天塔危機)	Theatrical film	To be determined	Preparing for filming
11	New Tong Pak Foo Dim Chau Heung (唐伯虎點秋香後傳)	Internet movie	To be determined	Script completed
12	Elderly Hero (遲暮英雄)	Internet movie	To be determined	Script completed

No.	Name	Genre	(Planned) Shooting commencement date	Status
13	The First Undercover in the Southern Song Dynasty – The Case of Demon Cat (南宋第一臥底之妖貓案)	Internet movie	To be determined	Script completed
14	Mystery Case in Ying Dynasty (大應奇案生死簿)	Internet movie	To be determined	Script completed
15	Amaranthine Epiphyllum (雙世曇花)	Internet movie	To be determined	Script completed
16	The Iron Trophy (鐵甲雄風)	Internet movie	To be determined	Script completed
17	Bulletproof Teacher (穿越火線：防彈教師)	Internet drama	To be determined	Script completed
18	Limited Romance (限定浪漫)	Internet drama	To be determined	Script completed
19	Through the Storm (玉骨瓷心) (formerly known as “Shiny Day” (雨過天晴雲開處))	Internet drama	To be determined	Script completed

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

For the six months period ended 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

CHANGE OF DIRECTORS’ AND CHIEF EXECUTIVES’ INFORMATION

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

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

EVENTS AFTER THE PERIOD UNDER REVIEW

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTION BY THE DIRECTORS

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

AUDIT COMMITTEE

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

INTERIM DIVIDEND

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

DISCLOSURE OF INFORMATION

The interim report of the Company will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website (www.starrise.cn) and will be dispatched to Shareholders before the end of September 2024.

By order of the Board
A Metaverse Company
LIU Dong
Chairman

Beijing, the People's Republic of China, 27 August 2024

As at the date of this announcement, the Board comprises six directors, namely Mr. LIU Dong, Mr. LIU Zongjun, Ms. YANG Qinyan and Mr. HE Han as the executive Directors; and Mr. LAM Kai Yeung and Mr. KWOK Pak Shing as the independent non-executive Directors.

This announcement is prepared in both Chinese and English. In the event of inconsistency, the English text of this announcement shall prevail over the Chinese.