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## STAR CM Holdings Limited

星空華文控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6698)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

Our Board is pleased to announce the audited consolidated results of our Company, its subsidiaries and consolidated affiliated entities (collectively referred to as our “**Group**”) for the year ended December 31, 2022 together with the comparative figures for the year ended December 31, 2021. These annual results have been reviewed by our Board’s audit committee together with our management.

	Year ended December 31,		Change
	2022	2021	
	<i>(RMB in millions, except percentages)</i>		
Revenue	<b>873.4</b>	1,126.7	(22.5%)
Gross profit	<b>281.1</b>	274.3	2.5%
Profit/(loss) before tax	<b>104.4</b>	(327.4)	N/A
Profit/(loss) for the year	<b>84.6</b>	(351.7)	N/A
Non-IFRS measures:			
Adjusted net profit/(loss)	<b>120.8</b>	(304.3)	N/A
Adjusted net profit/(loss) margin	<b>13.8%</b>	(27.0%)	N/A

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>	4	<b>873,425</b>	1,126,746
Cost of sales		<u>(592,352)</u>	<u>(852,434)</u>
Gross profit		<u><b>281,073</b></u>	<u>274,312</u>
Other income and gains		<b>27,549</b>	39,920
Selling and distribution expenses		<b>(25,341)</b>	(35,283)
Administrative expenses		<b>(146,735)</b>	(180,901)
Impairment of goodwill		–	(380,731)
Impairment losses on financial assets, net		<b>(24,640)</b>	(10,300)
Other expenses		<b>(1,400)</b>	(2,647)
Changes in fair value of financial assets at fair value through profit or loss		<b>3,874</b>	(27,570)
Finance costs		<b>(2,858)</b>	(2,739)
Share of losses of:			
Joint ventures		<b>(938)</b>	(259)
Associates		<u>(6,233)</u>	<u>(1,247)</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>104,351</b>	(327,445)
Income tax expense	6	<u>(19,794)</u>	<u>(24,301)</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<u><b>84,557</b></u>	<u>(351,746)</u>
Attributable to:			
Owners of the parent		<b>86,918</b>	(344,996)
Non-controlling interests		<u>(2,361)</u>	<u>(6,750)</u>
		<u><b>84,557</b></u>	<u>(351,746)</u>
<b>EARNINGS/(LOSS) PER SHARE</b> <b>ATTRIBUTABLE TO ORDINARY EQUITY</b> <b>HOLDERS OF THE PARENT</b>			
Basic and diluted (RMB)	8	<u><b>0.23</b></u>	<u>(1.45)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b><u>84,557</u></b>	<b><u>(351,746)</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b> Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>42,806</u>	<u>(12,514)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>42,806</u>	<u>(12,514)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>	<b><u>42,806</u></b>	<b><u>(12,514)</u></b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b><u>127,363</u></b>	<b><u>(364,260)</u></b>
Attributable to:		
Owners of the parent	129,724	(357,510)
Non-controlling interests	<u>(2,361)</u>	<u>(6,750)</u>
	<b><u>127,363</u></b>	<b><u>(364,260)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>172,388</b>	54,380
Other intangible assets		<b>161,960</b>	153,267
Right-of-use assets		<b>111,346</b>	102,266
Goodwill		<b>1,488,335</b>	1,465,276
Investments in joint ventures		<b>402,036</b>	403,974
Investments in associates		<b>617,867</b>	422,246
Financial assets at fair value through profit or loss		<b>26,744</b>	16,839
Restricted cash		<b>62,318</b>	43,594
Deferred tax assets		<b>60,165</b>	60,833
Prepayments, other receivables and other assets		<b>15,709</b>	—
<b>Total non-current assets</b>		<b><u>3,118,868</u></b>	<b><u>2,722,675</u></b>
<b>CURRENT ASSETS</b>			
Inventories		<b>21</b>	3,326
Program copyrights		<b>110,135</b>	109,625
Trade and notes receivables	<i>9</i>	<b>625,956</b>	859,332
Prepayments, other receivables and other assets		<b>101,216</b>	118,515
Due from related parties	<i>12</i>	<b>453,645</b>	183,813
Cash and cash equivalents		<b>587,590</b>	547,182
<b>Total current assets</b>		<b><u>1,878,563</u></b>	<b><u>1,821,793</u></b>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>10</i>	<b>253,252</b>	343,532
Other payables and accruals		<b>186,673</b>	96,696
Tax payable		<b>40,636</b>	40,409
Lease liabilities		<b>7,892</b>	2,426
<b>Total current liabilities</b>		<b><u>488,453</u></b>	<b><u>483,063</u></b>
<b>NET CURRENT ASSETS</b>		<b><u>1,390,110</u></b>	<b><u>1,338,730</u></b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>4,508,978</u></b>	<b><u>4,061,405</u></b>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	7,670	2,263
Deferred tax liabilities	3,841	3,806
Other payables and accruals	19,175	7,475
	<u>          </u>	<u>          </u>
<b>Total non-current liabilities</b>	<b><u>30,686</u></b>	<b><u>13,544</u></b>
<b>Net assets</b>	<b><u>4,478,292</u></b>	<b><u>4,047,861</u></b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	3	2
Reserves	4,458,994	3,989,052
	<u>          </u>	<u>          </u>
	<b><u>4,458,997</u></b>	<b><u>3,989,054</u></b>
Non-controlling interests	19,295	58,807
	<u>          </u>	<u>          </u>
<b>Total equity</b>	<b><u>4,478,292</u></b>	<b><u>4,047,861</u></b>

## NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on March 29, 2021. The registered office address of the Company is PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on December 29, 2022.

The Company is an investment holding company. The Company’s subsidiaries were principally involved in variety program intellectual property (“IP”) production, operation and licensing, music IP operation and licensing, drama series and film IP operation and licensing and other IP-related business.

In the opinion of the directors, the ultimate controlling shareholders of the Company are Chinese Culture (Shanghai) Equity Investment Center (L.P.), Chinese Culture (Tianjin) Investment Management Co.,Ltd., Mr. Tian Ming, Mr. Jin Lei and Mr. Xu Xiangdong.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year’s financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>2</sup>
Amendments to IFRS 17	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to IFRS 17	<i>Insurance Contracts</i> <sup>1,5</sup>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i> <sup>6</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>2,4</sup>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2023

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2024

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after January 1, 2024

<sup>5</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

<sup>6</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services 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

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Mainland China	812,375	1,045,035
Other regions	61,050	81,711
	<u>873,425</u>	<u>1,126,746</u>

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

**(b) Non-current assets**

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Mainland China	<b>2,541,462</b>	2,218,330
Other regions	<b>428,179</b>	383,079
	<b><u>2,969,641</u></b>	<b><u>2,601,409</u></b>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

**Information about major customers**

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the years ended December 31, 2022 and 2021 is set out below:

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Customer 1*	<b>311,455</b>	403,142
Customer 2	<b>133,458</b>	159,596
Customer 3*	<b>87,633</b>	120,668

\* Including sales to a group of entities which are known to be under common control with that customer.



#### 4. REVENUE

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers	<u>873,425</u>	<u>1,126,746</u>

#### Revenue from contracts with customers

##### (i) *Disaggregated revenue information*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Types of goods or services</b>		
Variety program IP production, operation, and licensing	702,363	879,484
Music IP operation and licensing	63,653	118,335
Drama series and film IP operation and licensing	58,701	86,448
Other IP-related business	<u>48,708</u>	<u>42,479</u>
Total revenue from contracts with customers	<u>873,425</u>	<u>1,126,746</u>
<b>Geographical markets</b>		
Mainland China	812,375	1,045,035
Other regions	<u>61,050</u>	<u>81,711</u>
Total revenue from contracts with customers	<u>873,425</u>	<u>1,126,746</u>
<b>Timing of revenue recognition</b>		
Transferred at a point in time	632,216	840,327
Transferred over time	<u>241,209</u>	<u>286,419</u>
Total revenue from contracts with customers	<u>873,425</u>	<u>1,126,746</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised that was included in the contract liabilities at the beginning of the reporting period:		
Variety program IP production, operation, and licensing	3,027	2,937
Music IP operation and licensing	538	298
Drama series and film IP operation and licensing	2,276	6,202
Other IP-related business	<u>2,884</u>	<u>805</u>
	<u>8,725</u>	<u>10,242</u>

**(ii) Performance obligations**

Information about the Group's performance obligations is summarised below:

*Variety Program IP Production, Operation, and Licensing*

As for the variety programs, the performance obligation is satisfied upon delivery of the video materials and payment is generally due within 30 days after the final account of variety programs with the media platforms, except for the production of commissioned variety programs, where payment in advance is normally required.

As for the licensing of the right to host offline entertainment events, the performance obligation is to support the customers' offline marketing activities and payment is normally in advance.

*Music IP Operation and Licensing*

As for licensing which provides right-to-use, the performance obligation is satisfied upon delivery of the audio materials and annual payment is normally required. As for licensing which provides right-to-access, the performance obligation is satisfied over the period when the customers are granted with access to the Group's music library and annual payment is normally required.

*Drama Series and Film IP Operation and Licensing*

The performance obligation is satisfied upon delivery of the video materials and payment is generally due within 30 days from delivery.

*Other IP-related Business*

As for artiste management, the performance obligation is satisfied over the period that artiste rendered relevant services to the organisers of the entertainment events and TV programs by attending those entertainment events and TV programs and payment is generally made in advance. As for concert organisation and production, the performance obligation of concert tickets is satisfied when the concert has been held and payment is generally made in advance.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, are as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<b>73,107</b>	25,832
After one year	<b>18,266</b>	10,482
	<b>91,373</b>	36,314

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to variety program IP and music IP production, operation, and licensing, of which the performance obligations are to be satisfied within five years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

## 5. PROFIT/(LOSS) BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of variety program IP production, operation, and licensing	538,029	763,342
Cost of music IP operation and licensing	16,419	32,974
Cost of drama series and films IP operation and licensing	10,340	30,421
Cost of other IP – related business	27,564	25,697
Impairment losses on trade receivables, net	24,071	9,698
Listing expenses	36,235	20,008
Impairment of goodwill	–	380,731
Equity-settled share award expense	–	27,396

## 6. 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, the Company is not subject to any income tax in the Cayman Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Pursuant to the relevant tax law of the Macau Special Administrative Region, Macau profits tax has been provided at the rate of 12% (2021: 12%) on the estimated assessable profits arising in Macau during the year.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% (2021: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

Shanghai CanXing Culture & Media Co., Ltd. and Mengxiang Qiangyin Culture Broadcast (Shanghai) Company Ltd. (“MXQY”) are qualified as High and New Technology Enterprises and were entitled to a preferential income tax rate of 15% (2021: 15%) during the year, which will expire on November 12, 2023.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current – Charge for the year	19,428	41,034
Deferred tax	366	(16,733)
Total tax charge for the year	<u>19,794</u>	<u>24,301</u>

## 7. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation and up to December 31, 2022. The Board does not recommend the payment of a final dividend for the year ended December 31, 2022.

For the year ended December 31, 2021, a subsidiary of the Group, Fortune Star Media Limited, declared dividends of USD30,000,000 (equivalent to RMB194,775,000) to its then shareholder. The dividends of RMB133,653,000 have been settled by offsetting against the amounts due from related parties. The remaining dividends have been settled by cash in July 2021.

For the year ended December 31, 2021, a subsidiary of the Group, Shanghai Canteng Culture & Media Co., Ltd., declared dividends of RMB1,930,000 to non-controlling shareholders. The dividends have been paid by December 31, 2021.

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

The calculation of the basic earnings per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 383,520,850 (2021: 238,638,741) in issue during the year, as adjusted to reflect the rights issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2022 and 2021.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Earnings</b>		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u><b>86,918</b></u>	<u>(344,996)</u>
<b>Number of Shares</b>		
	2022	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year	<u><b>383,520,850</b></u>	<u>238,638,741</u>

## 9. TRADE AND NOTES RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	<b>796,740</b>	1,011,194
Notes receivables	<u><b>11,000</b></u>	<u>12,264</u>
	<b>807,740</b>	1,023,458
Less: Impairment of trade receivables	<u><b>(181,784)</b></u>	<u>(164,126)</u>
	<u><b>625,956</b></u>	<u>859,332</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days depending on the specific payment terms in each contract. Each customer has a maximum credit limit. 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 each of the reporting period, based on the transaction dates and net of loss allowance, is as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	<b>330,921</b>	386,035
3 to 6 months	<b>60,009</b>	276,414
6 to 12 months	<b>19,122</b>	47,113
1 to 2 years	<b>153,905</b>	111,123
2 to 3 years	<b>28,996</b>	19,911
Over 3 years	<b>22,003</b>	6,472
	<b>614,956</b>	847,068

The movements in the loss allowance for impairment of trade receivables are as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	<b>164,126</b>	157,098
Impairment losses	<b>24,071</b>	9,698
Amounts written off as uncollectible	<b>(6,683)</b>	(2,592)
Exchange realignment	<b>270</b>	(78)
At end of year	<b>181,784</b>	164,126

## 10. TRADE PAYABLES

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	<b>191,468</b>	299,774
1 to 2 years	<b>40,689</b>	7,760
2 to 3 years	<b>4,288</b>	7,620
Over 3 years	<b>16,807</b>	28,378
	<b>253,252</b>	343,532

The trade payables are non-interest-bearing and are normally settled on 90 to 180 days' terms.

## 11. CONTINGENT LIABILITIES

During the year, some subsidiaries of the Group were defendants in lawsuits. The Group has accrued the probable liabilities for these lawsuits. The movements of the related liabilities in aggregate are as follows:

### For the year ended December 31, 2022

	Carrying amount at January 1 <i>RMB'000</i>	Addition <i>RMB'000</i>	Change in estimates <i>RMB'000</i>	Payments <i>RMB'000</i>	Carrying amount at December 31 <i>RMB'000</i>
MBC-Guess the Singer! 2016*	11,900	–	–	–	11,900
MBC-Outdoor Reality Show*	10,000	–	–	(10,000)	–
Others	200	1,000	(560)	(200)	440
	<u>22,100</u>	<u>1,000</u>	<u>(560)</u>	<u>(10,200)</u>	<u>12,340</u>

### For the year ended December 31, 2021

	Carrying amount at January 1 <i>RMB'000</i>	Addition <i>RMB'000</i>	Change in estimates <i>RMB'000</i>	Payments <i>RMB'000</i>	Carrying amount at December 31 <i>RMB'000</i>
MBC-Awesome Challenge -Amazing*	11,318	–	(935)	(10,383)	–
MBC-Guess the Singer! 2016*	11,900	–	–	–	11,900
MBC-Outdoor Reality Show*	10,000	–	–	–	10,000
Others	6,622	–	(2,800)	(3,622)	200
	<u>39,840</u>	<u>–</u>	<u>(3,735)</u>	<u>(14,005)</u>	<u>22,100</u>

\* During the reporting period, the Group made provision for the above material lawsuits with Munhwa Broadcasting Corporation (“MBC”)

For the year ended December 31, 2022, a subsidiary of the Group is still a defendant in a lawsuit brought by one party alleging that the subsidiary should pay the remuneration for its artist’s performances in the variety programs. The amount claimed is RMB16,500,000. The directors, based on the advice from the Group’s legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation.

## 12. DUE FROM RELATED PARTIES

		2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Due from related parties (non-trade):			
Mengxiang Qi'an Culture Development (Shanghai) Co., Ltd. ("Mengxiang Qi'an")	(i)	202,482	183,813
Shanghai Binqiao Enterprise management Co., Ltd. ("Shanghai Binqiao")	(ii)	251,163	—
		<u>453,645</u>	<u>183,813</u>
Total		<u>453,645</u>	<u>183,813</u>

### Notes:

- (i) The loans to Mengxiang Qi'an were unsecured and repayable on demand with interest rates ranging from 0.0% to 5.4%.
- (ii) The loans to Shanghai Binqiao of RMB250,811,000 were unsecured, interest-free and repayable on demand and the remaining loans to Shanghai Binqiao of RMB352,000 bear interest at the rate of 6% per annum.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

Our Group is one of the largest variety program IP creators and operators in China. Our Group also owns and operates a large library of Chinese film IPs and is a music IP creator and operator in China. Having built an ecosystem underpinned by abundant IP resources, our Group attracts people with our original and entertaining content. Bringing enjoyment to people's everyday lives, our Group has accumulated an audience base which serves as the basis of our diversified IP-related business. For the year ended December 31, 2022, our Group generated revenue in the form of revenue sharing, commission fees, licensing fees and other fees for (i) variety program IP production, operation and licensing; (ii) music IP operation and licensing; (iii) film and drama series IP operation and licensing; and (iv) other IP-related business.

Benefiting from our Group's efficient synergies with IP resource provider and our effective business model, our Group has ensured the quality of the production and operation of our variety programs, music IP, film and drama series IP and other IP-related business. Consequently, our Group received several awards in 2022. For example, we were granted with TV Landmark (2022)—Annual Outstanding Program Award for Production Company (TV 地標(2022)—製作機構年度優秀節目) for our programs “Street Dance of China 2022 (這! 就是街舞 2022)” and “Sing! China 2022 (中國好聲音 2022)” by National Radio and Television Administration (國家廣播電視總局) and China Radio Film and TV Magazine (中國廣播影視雜誌社), and we were one of the nominees for Top 10 Shanghai Cultural Enterprise (上海文化企業十強提名) by Shanghai Cultural and Creative Industry Promotion Association (上海市文化創意產業促進會) and Shanghai First Financial Media Co., Ltd\* (上海第一財經傳媒有限公司).

2022 was marked with both opportunities and challenges. In China, where effective COVID-19 pandemic prevention and control measures were implemented, there were still recurring local outbreaks in certain areas, which affected the development of the entertainment industry to a certain extent. Coupled with the overall macro-economic environment in 2022, we are of the view that COVID-19 only had a temporary adverse impact on our business operations and our financial performance in the short run, and is not expected to bring any permanent or material interruption to our operations.



## **Business Analysis by Business Line**

### ***(i) Variety Program IP Production, Operation and Licensing***

For the year ended December 31, 2022, our Group successfully produced and broadcast a total of eight variety programs, comprising E-POP of China (超感星電音), Sing! China 2022 (中國好聲音 2022), Great Dance Crew 2022 (了不起!舞社2022), Guess the Dancer! 2022 (蒙面舞王2022), Street Dance of China 2022 (這!就是街舞2022), HAHA A DAY (百川可逗鎮), “PANTHEPACK (熊貓書包請查收)” and “Go! Dreamland (聽見我的旅行)”.

Building on our success in 2022, our Group will continue to innovate and create popular variety program IPs. As of the date of this announcement, our Group had several pipeline variety programs underway, primarily consisting of music variety programs, dance variety programs and talent shows, which are expected to be released within 2023.

The revenue, gross profit and gross profit margin of our variety programs are affected by multiple factors, including but not limited to (i) the cooperation model we adopted for programs, (ii) our negotiations with investing media platforms, (iii) overall economic environment, and (iv) shifts in audience preferences. As a result, our financial performance may fluctuate from year to year due to the inherent risk in the business model of our variety program IP production, operation and licensing. For details, see the section headed “Financial Review” in this announcement.

### ***(ii) Music IP Operation and Licensing***

As of December 31, 2022, our Group had a music library of 8,976 IPs, consisting of 3,717 live music recordings we produced during the creation of our music variety programs, 3,310 songs we produced for our managed artists, and 1,949 lyrics and music compositions.

### ***(iii) Film and Drama Series IP Operation and Licensing***

At its disposal, our Group has taken the opportunity of our extensive film library, experienced in-house professional teams and long-term cooperative relationships with media platforms, actively making inroads into the fields of film licensing and drama series production and licencing. As of December 31, 2022, our Group owns and operates a large library consisting of 757 Chinese film IPs and one drama series “Reading class (閱讀課)” produced by our Group.

Our Group generally licenses our films to domestic and overseas TV networks and online video platforms for reruns in exchange for a fixed licensing fee during a specified term. The licensing fee is usually determined on factors including the number of films licenced and the length of the licensing period.

### ***(iv) Other IP-related Business***

Our Group’s other IP-related business primarily includes (i) artist management; (ii) concert organization and production; (iii) art education and training; (iv) mobile apps; (v) consumer products; and (vi) themed attractions. As of December 31, 2022, we had a total number of 148 managed artists and had more than 1.3 million registered users on our Group’s “Sing! China” app.

## **FUTURE DEVELOPMENT**

Looking ahead, leveraging our strengths and experience, our Group is dedicated to creating more entertainment IPs to accommodate the fast-changing market demands and audience preferences in the industry. Our development initiatives include:

- Further strengthen our IP creation and operation capabilities: We will continue to operate our music IP library and film IP library. We will further enhance our capabilities of content production in the field of variety programs, music, film and drama series, and diversify the genres and topics of our IPs.
- Further expand our audience outreach and brand influence to enhance our monetization capabilities: We will continue to set up distribution channels to reach wider audience. We will increase the number of partner TV networks, online video platforms and music service providers and diversify our distribution channels and offer onsite experience through IP-centered experience halls, electronic music centers and street dance centers. Leveraging the growth of the global entertainment industry, we will strengthen our efforts to recruit content production professionals in the overseas entertainment market and attract talented artists globally in order to further enhance our influence and value of our entertainment IPs in the global market.
- Further expand our business through mergers and acquisitions: We will keep a close watch on and continuously evaluate high-quality merger and acquisition targets that are complementary to our business and in line with our strategies. We aim to effectively integrate premium industry resources in the upstream and downstream of the entertainment value chain, further accelerating the expansion of our Group.
- Continue to attract talents and build our team: We provide excellent training and highly competitive compensation and incentive plan for our employees. We plan to attract top talents in the fields of IP production, operation and management via continuous improvement in our talent acquisition and retention system.

## FINANCIAL REVIEW

### Overview

During the year ended December 31, 2022, we recorded a revenue of RMB873.4 million and a gross profit of RMB281.1 million. Our net profit amounted to RMB84.6 million in 2022 as compared with a net loss of RMB351.7 million in 2021. Our adjusted net profit in 2022 was RMB120.8 million as compared with the adjusted net loss of RMB304.3 million in 2021. The turnaround from net loss to net profit was mainly because (i) no impairment on goodwill was recorded in 2022, as compared to an impairment loss on goodwill of RMB380.7 million was recorded in 2021; and (ii) the overall decrease in administrative expenses of our Group as a result of the on-going impact of COVID-19 in 2022.

### Revenue by Business Segment

During the years ended December 31, 2022 and 2021, we generated our revenues primarily from (i) variety program IP production, operation, and licensing, (ii) music IP operation and licensing, (iii) film and drama series IP operation and licensing, and (iv) other IP-related business. Revenue from variety program IP production, operation and licensing business was the largest component of our total revenues in 2022 and 2021, accounting for approximately 80.4% and 78.1%, respectively. The table below sets forth a breakdown of our revenues by business segments for the years ended December 31, 2022 and 2021:

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in millions)</i>	
Variety program IP production, operation, and licensing	<b>702.4</b>	879.5
Music IP operation and licensing	<b>63.6</b>	118.3
Film and drama series IP operation and licensing	<b>58.7</b>	86.4
Other IP-related business	<b>48.7</b>	42.5
<b>Total</b>	<b>873.4</b>	<b>1,126.7</b>

**(i) Variety Program IP Production, Operation and Licensing**

Our revenue generated from variety program IP production, operation and licensing consists primarily of (i) revenue from advertising sales; (ii) commission received from producing variety programs; (iii) licensing fees received from licensing the broadcasting rights of our variety programs; and (iv) licensing fees received from licensing the right to host offline entertainment events. The following table sets forth a breakdown of our revenue from variety program IP production, operation and licensing by nature during the years ended December 31, 2022 and 2021:

	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in millions)</i>	
Advertising sales	<b>485.7</b>	604.5
Commissioned programs	<b>145.3</b>	174.8
Licensing of broadcasting rights	<b>45.9</b>	52.1
Licensing of offline entertainment events	<b>25.5</b>	48.1
<b>Total</b>	<b>702.4</b>	<b>879.5</b>

Our Group's revenue generated from variety program IP production, operation and licensing decreased by 20.1% from RMB879.5 million for the year ended December 31, 2021 to RMB702.4 million for the year ended December 31, 2022, primarily due to (i) the decrease in our revenue from advertising sales of variety programs as affected by the macro-economic environment and due to the negative impact of COVID-19; and (ii) the decrease in our revenue from commissioned programs as a direct result of the decrease in the number of episodes from our production of commissioned variety programs in 2022.

**(ii) Music IP Operation and Licensing**

Our revenue generated from music IP operation and licensing consists primarily of the royalties or licensing fees received from licensing the music IPs we produced to music service providers such as (i) online music platforms; (ii) media companies and (iii) karaoke operators. Revenue generated from music IP operation and licensing decreased by 46.2% from approximately RMB118.3 million in 2021 to approximately RMB63.6 million in 2022. The decrease was primarily due to (i) the decrease in music IP licensing revenue and licensing price of the music IPs we produced in association with "Sing! China 2022 (中國好聲音 2022)" as compared to "Sing! China 2021 (中國好聲音 2021)", because our Group licensed the music IPs to multiple new licensees on a non-exclusive basis in 2022, which had a lower licensing price as compared to licensees on an exclusive basis; and (ii) the decrease in the number of music IPs we delivered to an online music platform as we produced less music works for our managed artists.

***(iii) Film and Drama Series IP Operation and Licensing***

Our revenue generated from film and drama series IP operation and licensing consists primarily of the licensing fees received from licensing the broadcasting rights of the films in our film IP library. Revenue generated from film and drama series IP operation and licensing decreased by 32.1% from approximately RMB86.4 million in 2021 to approximately RMB58.7 million in 2022, primarily due to the decrease in the revenue generated from licensing our film IP as a result of the negative impact of COVID-19 in 2022.

***(iv) Other IP-related Business***

Our revenue generated from other IP-related business consists primarily of (i) service fees received from customers who engaged our artists for concerts, tours, in-person appearances and endorsement deals, and (ii) ticket sales from the concerts that we organized. Revenue generated from other IP-related business increased by 14.6% from approximately RMB42.5 million in 2021 to approximately RMB48.7 million in 2022, which is in line with the increase in revenue generated from our artist management business in 2022.

**Cost of Sales**

The following table sets forth our cost of sales by business segment for the years ended December 31, 2022 and 2021:

	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in millions)</i>	
Variety program IP production, operation, and licensing	<b>538.0</b>	763.3
Music IP operation and licensing	<b>16.4</b>	33.0
Film and drama series IP operation and licensing	<b>10.3</b>	30.4
Other IP-related business	<b>27.6</b>	25.7
<b>Total</b>	<b>592.3</b>	852.4

***(i) Variety Program IP Production, Operation and Licensing***

Cost of sales associated with variety program IP production, operation, and licensing decreased by 29.5% from RMB763.3 million in 2021 to RMB538.0 million in 2022, primarily due to (i) the decrease in the number of episodes in our production of variety programs, which is in line with the decrease in revenue generated from variety program IP production, operation and licensing; and (ii) lower costs incurred due to more effective costs management in relation to COVID-19.

**(ii) Music IP Operation and Licensing**

Cost of sales associated with music IP operation and licensing decreased by 50.3% from RMB33.0 million in 2021 to RMB16.4 million in 2022, primarily due to the decrease in the number of music IPs we delivered to music service providers in 2022 as compared to 2021.

**(iii) Film and Drama Series IP Operation and Licensing**

Cost of sales associated with film and drama series IP operation and licensing decreased by 66.1% from RMB30.4 million in 2021 to RMB10.3 million in 2022, primarily due to the decrease in the cost that we incurred in relation to purchase of drama scripts as compared to 2021.

**(iv) Other IP-related Business**

Cost of sales associated with other IP-related business increased by 7.4% from RMB25.7 million in 2021 to RMB27.6 million in 2022, which is in line with the increase in revenue generated from other IP-related business in the same year.

**Gross Profit and Gross Profit Margin**

The following table sets forth our gross profit and gross profit margin by each business segment for the years ended December 31, 2022 and 2021:

	For the year ended December 31,			
	2022		2021	
	Gross Profit	Gross Profit Margin (%)	Gross Profit	Gross Profit Margin (%)
Variety program IP production, operation, and licensing	164.4	23.4%	116.2	13.2%
Music IP operation and licensing	47.2	74.2%	85.3	72.1%
Film and drama series IP operation and licensing	48.4	82.5%	56.0	64.8%
Other IP-related business	21.1	43.3%	16.8	39.5%
<b>Total</b>	<b>281.1</b>	<b>32.2%</b>	<b>274.3</b>	<b>24.3%</b>

As a result of the foregoing, our gross profit increased by 2.5% from RMB274.3 million in 2021 to RMB281.1 million in 2022.

**(i) Variety Program IP Production, Operation and Licensing**

Our gross profit for variety program IP production, operation, and licensing increased by 41.5% from RMB116.2 million in 2021 to RMB164.4 million in 2022. Our gross profit margin also increased from 13.2% in 2021 to 23.4% in 2022 primarily due to (i) our major revenue contributor “Sing! China 2022” recorded higher gross profit margin in 2022 as compared to “Sing! China 2021” in 2021; (ii) we did not schedule subsequent season for programs with low gross margin in 2022; (iii) we incurred less rigid cost in 2022 than in 2021 as we coped better with situations where COVID-19 may have adverse impact on our Group’s business operations; and (iv) our share incentive scheme was terminated in 2021 and therefore no equity-settled share award expenses were incurred in 2022.

**(ii) Music IP Operation and Licensing**

As a result of the foregoing, our gross profit for music IP operation and licensing decreased by 44.7% from RMB85.3 million in 2021 to RMB47.2 million in 2022. Our gross profit margin was relatively stable at 72.1% and 74.2% in 2021 and 2022, respectively.

**(iii) Film and Drama Series IP Operation and Licensing**

As a result of the foregoing, our gross profit for film and drama series IP operation and licensing decreased by 13.6% from RMB56.0 million in 2021 to RMB48.4 million in 2022. Our gross profit margin increased from 64.8% in 2021 to 82.5% in 2022. The increase in our gross profit margin was primarily due to less impairment loss on drama series scripts recorded in 2022 as compared to 2021.

**(iv) Other IP-related Business**

As a result of the foregoing, our gross profit for other IP-related business increased by 25.6% from RMB16.8 million in 2021 to RMB21.1 million in 2022. Our gross profit margin increased from 39.5% in 2021 to 43.3% in 2022. The increase was primarily due to the increase in our gross profit margin from our artist management business.

**Other Incomes and Gains**

Our other incomes and gains decreased by 31.1% from RMB39.9 million in 2021 to RMB27.5 million in 2022, primarily due to the decrease in government grants.

**Selling and Distribution Expenses**

Our selling and distribution expenses decreased by 28.3% from RMB35.3 million in 2021 to RMB25.3 million in 2022, primarily due to the decrease in staff cost, travel and business development expenses, resulting from the decrease in our sales and marketing activities due to COVID-19.

## **Administrative Expenses**

Our administrative expenses decreased by 18.9 % from RMB180.9 million in 2021 to RMB146.7 million in 2022, primarily due to (i) the decrease in employee salaries and benefits as a result of the negative impact of COVID-19 in 2022; (ii) the decrease in research and development expenses; and (iii) the decrease in professional service expenses incurred. These decreases were partially offset by an increase in listing expenses in 2022.

## **Impairment of Goodwill**

Our Group did not record any impairment loss on goodwill in 2022 as compared with an impairment loss on goodwill of RMB380.7 million in 2021.

## **Impairment Losses on Financial Assets**

We recorded impairment losses on financial assets of RMB24.6 million in 2022 (2021: RMB10.3 million), primarily reflecting the increased expected credit loss of certain trade receivables based on our assessment.

## **Changes in Fair Value of Financial Assets at Fair Value Through Profit or Loss**

We recorded a gain in changes in fair value of financial assets at fair value through profit or loss of RMB3.9 million in 2022 while recording a loss in changes in fair value of financial assets at fair value through profit or loss of RMB27.6 million in 2021, primarily due to fluctuations in the stock price of Tencent Music Entertainment Group (NYSE: TME).

## **Other Expenses**

Our other expenses decreased by 46.2% from RMB2.6 million in 2021 to RMB1.4 million in 2022, primarily due to a decrease in our foreign exchange losses.

## **Finance Costs**

Our finance costs was relatively stable at RMB2.7 million and RMB2.9 million in 2021 and 2022, respectively.

## **Share of Profits and Losses of Joint Ventures and Associates**

Our share of losses of joint ventures increased from RMB0.3 million in 2021 to RMB0.9 million in 2022. Our share of losses from associates increased from RMB1.2 million in 2021 to RMB6.2 million in 2022, primarily due to the losses incurred by the major associates of our Group in 2022.

## **Income Tax Expenses**

Our income tax expenses decreased by 18.5% from RMB24.3 million in 2021 to RMB19.8 million in 2022, primarily due to a decrease in taxable profits in 2022.



## Profit/(Loss) for the Years

As a result of above, we recorded a net profit of RMB84.6 million in 2022 as compared with a net loss of RMB351.7 million in 2021. We recorded adjusted net profit (non-IFRS measures) of RMB120.8 million in 2022 as compared with a adjusted net loss (non-IFRS measures) of RMB304.3 million in 2021, primarily because (i) no impairment loss on goodwill was recorded in 2022, as compared to an impairment loss on goodwill of RMB380.7 million recorded in 2021; and (ii) the overall decrease in administrative expenses of our Group in 2022.

## Non-IFRS Measure

To supplement our consolidated financial statements which are presented under IFRS, we also use adjusted net profit/(loss) (non-IFRS measures) and adjusted net profit/(loss) margin (non-IFRS measures) as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impact of certain items. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit/(loss) (non-IFRS measures) and adjusted net profit/(loss) margin (non-IFRS measures) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

The following table sets forth our adjusted net profit/(loss) for the years ended December 31, 2022 and 2021, respectively.

	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in millions)</i>	
Profit/(Loss) for the year	<b>84.6</b>	(351.7)
Adjusted for:		
Equity-settled share award expenses	–	27.4
Listing expenses	<b>36.2</b>	20.0
<b>Adjusted net profit/(loss)<sup>(a)</sup> (non-IFRS measures)</b>	<b><u>120.8</u></b>	<b><u>(304.3)</u></b>
<b>Adjusted net profit/(loss) margin<sup>(b)</sup> (non-IFRS measures)</b>	<b><u>13.8%</u></b>	<b><u>(27.0%)</u></b>

### Notes:

- (a) Adjusted net profit/(loss) (non-IFRS measures) is defined as profit/(loss) for the year adjusted for (i) equity-settled share award expenses and (ii) listing expenses. Equity settled share award expenses, which are non-cash in nature, consist of expenses arising from granting restricted stock units to eligible individuals under our share award scheme. Listing expenses mainly include professional fees paid to legal advisers and reporting accountants for their services rendered in relation to the Listing and Global Offering.
- (b) Adjusted net profit/(loss) margin (non-IFRS measures) is defined as adjusted net profit/(loss) (non-IFRS measures) divided by revenue.

## FINANCIAL POSITION

### Property, Plant and Equipment

Our property, plant and equipment amounted to RMB172.4 million as of December 31, 2022, representing an increase of RMB118.0 million or 216.9% from RMB54.4 million as of December 31, 2021. The increase was primarily due to the increased investments in the construction of our “Songjiang Star Variety Program, Film and Drama Series Production Base”.

### Goodwill

Our goodwill amounted to RMB1,488.3 million as of December 31, 2022, representing an increase of RMB23.0 million or 1.6% from RMB1,465.3 million as of December 31, 2021, which was primarily due to the fluctuations in the foreign exchange rates, as the assets of Fortune Star Media Limited (“FSML”) unit is calculated in US dollars.

The carrying amounts of goodwill allocated to each of the cash-generating units are as follows:

	For the year ended December 31,	
	2022	2021
	<i>(RMB in millions)</i>	
MXQY unit	1,215.6	1,215.6
FSML unit	272.7	249.7
At end of year	<u>1,488.3</u>	<u>1,465.3</u>

### Significant Investments

Our investments in associates amounted to RMB617.9 million as of December 31, 2022, representing an increase of RMB195.7 million or 46.4% from RMB422.2 million as of December 31, 2021. On July 21, 2022, our Group and two independent third parties had invested in and established Shanghai Bingqiao, with our Group holding 17.59% equity interests in Shanghai Bingqiao. Our total investment amount of RMB444.7 million in Shanghai Bingqiao includes (i) registered capital amounting to RMB193.5 million recorded as long-term investments; and (ii) a surplus to registered capital amounting to RMB251.2 million, which is in proportion to our Group’s equity interests in Shanghai Bingqiao recorded as due from related party.

Save as disclosed in this announcement, we did not make or hold any significant investments (including any investment in an investee company with a value of 5.0 percent or more of our Company’s total assets) during 2022.

### Amount Due from Related Parties

Amount due from related parties increased by RMB269.8 million or 146.8% to RMB453.6 million as of December 31, 2022 from RMB183.8 million as of December 31, 2021, which was primarily due to the increase in the amount due from Shanghai Bingqiao and Mengxiang Qi’an which is the portion of our investment in Shanghai Bingqiao and Mengxiang Qi’an that is surplus to their respective registered capitals. For details, please refer to note 12 above.

## **Financial Assets at Fair Value Through Profit or Loss**

Our financial assets at fair value through profit or loss amounted to RMB26.7 million as of December 31, 2022, representing an increase of RMB9.9 million or 58.9% from RMB16.8 million as of December 31, 2021, which was primarily due to the increase in the stock price of Tencent Music Entertainment Group (NYSE: TME).

## **Restricted Cash**

Our restricted cash amounted to RMB62.3 million as of December 31, 2022, representing an increase of RMB18.7 million or 42.9% from RMB43.6 million as of December 31, 2021, as a result of the increase of the time deposits that had been pledged for litigation.

## **Program Copyrights**

Our program copyrights remained stable at RMB110.1 million and RMB109.6 million as of December 31, 2022 and 2021, respectively.

## **Trade and Notes Receivables**

Our trade and notes receivables amounted to RMB626.0 million as of December 31, 2022, representing a decrease of RMB233.3 million or 27.2% from RMB859.3 million as of December 31, 2021, which was in line with the decrease in our revenue.

## **Prepayments, Other Receivables and Other Assets**

Our prepayments, other receivables and other assets remained stable at RMB116.9 million and RMB 118.5 million as of December 31, 2022 and 2021, respectively.

## **Trade Payables**

Our trade payables amounted to RMB253.3 million as of December 31, 2022, representing a decrease of RMB90.2 million or 26.3% from RMB343.5 million as of December 31, 2021, which is in line with the decrease in our cost of sales.

## **Other Payables and Accruals**

Our other payables and accruals amounted to RMB205.8 million as of December 31, 2022, representing an increase of RMB101.6 million or 97.5% from RMB104.2 million as of December 31, 2021, primarily due to the increase in prepayments we received from customers in relation to film IPs operation and licensing.

## **Lease Liabilities**

Our lease liabilities amounted to RMB15.6 million as of December 31, 2022, representing an increase of RMB10.9 million or 231.9% from RMB4.7 million as of December 31, 2021, which was primarily due to the new leases that we have entered into in 2022.

## Liquidity and Capital Resources

As of December 31, 2022, we funded our cash requirements primarily from cash flows mainly through equity financing and the retained earnings of our Company. We had cash and cash equivalents of RMB587.6 million and RMB547.2 million as of December 31, 2022 and 2021, respectively.

Our principal uses of cash have been for our business operations and expansion plans which require a significant amount of capital, including costs for variety program production, costs for music IPs production, and other working capital requirements. In the foreseeable future, our Company believes that our liquidity requirements will be satisfied by a combination of cash flow generated from our operating activities, the net proceeds received from our Company's Global Offering, and other funds raised from capital markets from time to time.

The following table sets forth a summary of our cash flows for the years indicated, respectively:

	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<i>(RMB in millions)</i>	
Profit/(loss) before tax	<u>104.4</u>	<u>(327.4)</u>
Adjustments	<b>65.6</b>	494.0
Change in working capital	<b>169.9</b>	247.9
Income tax paid	<b>(19.1)</b>	(13.5)
Interest received	<u>5.4</u>	<u>8.2</u>
Net cash flows from operating activities	<b>326.2</b>	409.2
Net cash flows used in investing activities	<b>(602.3)</b>	(584.8)
Net cash flows from/(used in) financing activities	<u>310.8</u>	<u>(176.9)</u>
Net increase/(decrease) in cash and cash equivalents	<b>34.7</b>	(352.5)
Cash and cash equivalents at the beginning of the year	<b>547.2</b>	903.4
Effect of foreign exchange rate changes, net	<u>5.7</u>	<u>(3.7)</u>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>587.6</u></b>	<b><u>547.2</u></b>

## Gearing Ratio

As of December 31, 2022, our gearing ratio was 0.3% (2021: 0.1%).

## Material Acquisitions and Disposals

Save as disclosed in this announcement, we did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during 2022.

## **Pledge of Assets**

As of December 31, 2022, pledged time deposit amount to RMB62.3 million were pledged for purchase of leasehold land and litigation.

## **Contingent Liabilities**

As of December 31, 2022, except for the lawsuits set out in note 11 above, our Group had no other significant contingent liabilities.

## **Foreign Exchange Exposure**

Our Group's businesses are principally conducted in RMB. We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As of December 31, 2022, major non-RMB assets are cash and cash equivalents which denominated in Hong Kong dollar ("HK\$") or United States dollar ("US\$"). Fluctuation of the exchange rate of RMB against HK\$ or US\$ could affect our Group's results of operations. Our Group does not intend to hedge its exposure to foreign exchange fluctuations. We will constantly monitor the economic situation and our Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS**

Our Company has no other plans for material investments or capital assets, except the intended use of proceeds as disclosed in our Prospectus.

## **EMPLOYEE AND REMUNERATION POLICY**

As of December 31, 2022, our Group had 367 employees. Total staff remuneration expenses including Directors' remuneration in 2022 amounted to RMB102.4 million. Remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policies of our Group are determined based on prevailing market levels and performance of the respective Group companies and individual employees. These policies are reviewed on a regular basis. Our Group strongly believes that our staff is an invaluable asset to our Group and is significant to our Group's business. Therefore, our Group recognizes the importance of maintaining a good relationship with employees. In addition to salary, our Group also offers to its employees other fringe benefits, including year-end bonus, discretionary bonus, allowances and benefits in kind and pension scheme contributions.

## **MATERIAL LITIGATIONS**

Our Group was involved in a number of pending/ongoing/concluded litigations during the year ended December 31, 2022 and up to the date of this announcement.

***(i) The ongoing litigation with Hummingbird Music Ltd.***

From May to June 2016, an artist participated in the production of three episodes of “Heroes of Remix (蓋世英雄)”, one of our variety programs. In July 2022, the artist’s then management company, Hummingbird Music Ltd. (蜂鳥音樂有限公司), brought a lawsuit against us at the Primary People’s Court of Changning District of Shanghai, claiming performance service fee of RMB16.3 million and attorney’s fee of RMB200,000. As of the date of this announcement, the lawsuit was in the first instance and the court is yet to render judgement on this case. For details, please refer to our Prospectus.

***(ii) The litigation with Munhwa Broadcasting Corporation***

In February 2016, our Group entered into an agreement with Munhwa Broadcasting Corporation (“MBC”) (the “February 2016 Agreement”), under which MBC agreed to provide program licensing services in exchange for a program licensing fee of US\$2.8 million per season to jointly produce seasons two to four of a variety program “King of Mask Singer (蒙面歌王)” with our Group. In June 2016, in light of regulatory changes in the PRC, our Group entered into a supplemental agreement with MBC in October 2015, pursuant to which, both parties clarified that the service to be provided under the February 2016 Agreement was production consulting services and parties agreed to co-develop a music variety program in 2016 and two subsequent seasons. In October 2016, our Group entered into another agreement with MBC, under which US\$2.6 million of the down payment our Group already made to MBC under the February 2016 Agreement was to be returned to our Group, but only in the form of down payment for a new variety program, “Outdoor Reality Show,” to be jointly produced by MBC and our Group.

In July 2020, MBC brought a lawsuit against our Group to the Primary People’s Court of Xuhui District of Shanghai Municipality for breach of contract, claiming an aggregate amount of RMB124.4 million from us. In January 2021, our Group filed a counterclaim against MBC for the return of US\$1.6 million down payment we paid to MBC, and to pay us US\$480,000 in damages for breach of contract. The court rendered judgement in November 2022 and awarded MBC an aggregate amount of RMB11.9 million, less than one tenth of the amount claimed by MBC. Both parties filed petitions for appeal against the first instance judgement, and as of the date of this announcement, the appeals are still pending.

Saved as disclosed in this paragraph, the Directors are not aware of any material litigations or claims that are pending or threatened against our Group during the reporting period and up to the date of this announcement.

**EVENTS AFTER THE REPORTING PERIOD**

As of the date of this announcement, there were no significant events that might affect our Group since the year ended December 31, 2022.

**ANNUAL GENERAL MEETING**

The annual general meeting (“AGM”) of our Company will be held on Thursday, June 15, 2023 and the notice of the AGM will be published and dispatched to the Shareholders in accordance with our Company’s articles of association and the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM, the register of members of our Company will be closed from Monday, June 12, 2023 to Thursday, June 15, 2023, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all Share transfer forms accompanied by the relevant Share certificates must be lodged with our Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, June 9, 2023.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

Our Board is committed to achieve high corporate governance standards. Our Board believes that high corporate governance standards are essential in providing a framework for our Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

### **Compliance with the Code on Corporate Governance Practices**

Our Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of our Company's corporate governance practices.

Code provision C.2.1 of the Corporate Governance Code recommends that the roles of chairman and chief executive to be separate and not be performed by the same person. Our Company deviates from this provision as Mr. Tian Ming performs both the roles of chairman of our Board and the chief executive officer of our Company. As Mr. Tian has been managing our Group's business and overall strategic planning for several years, our Directors consider that vesting the roles of chairman and chief executive officer in Mr. Tian is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group. Taking into account all the corporate governance measures that we implemented upon Listing, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, our Company had not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary, taking into account the circumstances of our Group as a whole.

Save as disclosed above, our Company has complied with the code provisions set out in the Corporate Governance Code since the Listing Date and up to the date of this announcement. Our Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of our Company.

### **Compliance with the Model Code for Securities Transactions by Directors**

Our Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding our Directors' dealings in the securities of our Company. Having made specific enquiries with our directors, our Directors have confirmed that they have strictly complied with the required standards set out in the Model Code from the Listing Date to December 31, 2022.

## **Scope of work for Annual Results Announcement by Auditor**

The financial information set out in this announcement does not constitute our Group's audited accounts for the year ended December 31, 2022, but represents an extract from the consolidated financial statements for the year ended December 31, 2022 which have been audited by the auditor of our Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

## **Audit Committee**

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The audit committee comprises three members, namely Mr. Chen Rehao, Mr. Li Liangrong and Mr. Sheng Wenhao, with Mr. Chen Rehao (being our independent non-executive Director with the appropriate professional qualifications) as chairman of the audit committee.

Our audit committee has reviewed our audited consolidated financial statements for the year ended December 31, 2022 and has discussed with the senior management of our Company, on matters with respect to the accounting policies and practices adopted by our Company and internal control.

## **Other Board Committees**

In addition to our audit committee, our Board has also established a nomination committee and a remuneration committee.

## **Purchase, Sale or Redemption of our Company's Listed Securities**

Since the Listing Date and until the end of the reporting period, neither our Company nor any of our subsidiaries has purchased, sold or redeemed any of our Company's securities listed on the Stock Exchange.

## **Use of Proceeds from the Global Offering**

Our Company completed the Global Offering on December 29, 2022. The net proceeds from this Global Offering amounted to approximately HK\$317.9 million (equivalent to approximately RMB284.0 million), after deducting the underwriting commissions, fees and expenses payable by us in connection with the Listing which will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" as set out in our Prospectus. As of December 31, 2022, we had approximately HK\$317.9 million (equivalent to approximately RMB284.0 million) remaining in net proceeds.

## **FINAL DIVIDEND**

Our Board does not recommend the payment of a final dividend for the year ended December 31, 2022.



## **PUBLICATION OF THE 2022 ANNUAL RESULTS ANNOUNCEMENT AND 2022 ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.starcmgroup.com](http://www.starcmgroup.com). Our annual report for 2022 financial year will be published on the aforesaid websites of the Stock Exchange and our Company and will be despatched to our Shareholders in due course.

### **DEFINITIONS**

<b>“AGM”</b>	the annual general meeting of our Company
<b>“Board”</b>	the board of directors of our Company
<b>“China” or the “PRC”</b>	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, China
<b>“Company”</b>	STAR CM Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands on March 29, 2021
<b>“Corporate Governance Code”</b>	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
<b>“COVID-19”</b>	Coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
<b>“Director(s)”</b>	the director(s) of our Company
<b>“Global Offering”</b>	has the meaning ascribed to it in the Prospectus
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“IFRS”</b>	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
<b>“Listing”</b>	the listing of Shares on the Main Board of the Stock Exchange on December 29, 2022
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Listing Date”</b>	December 29, 2022, the date on which our Shares were listed and on which dealings in our Shares were first permitted to take place on the Stock Exchange

<b>“Main Board”</b>	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
<b>“Prospectus”</b>	Our Company’s prospectus dated December 15, 2022, a copy of which is available on the Stock Exchange’s website at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
<b>“RMB”</b>	Renminbi yuan, the lawful currency of the People’s Republic of China
<b>“Share(s)”</b>	ordinary share(s) in the share capital of our Company with a par value of US\$0.000001 each
<b>“Shareholder(s)”</b>	holder(s) of our Share(s)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“US\$” or “US dollar(s)”</b>	United States dollar, the lawful currency for the time being of the United States

By Order of the Board  
**STAR CM Holdings Limited**  
**Mr. Tian Ming**  
*Chairman of the Board  
and Chief Executive Officer*

Hong Kong, March 28, 2023

*As at the date of this announcement, the Board comprises (i) Mr. Tian Ming, Mr. Jin Lei, Mr. Xu Xiangdong, Mr. Lu Wei and Ms. Wang Yan as executive Directors, (ii) Mr. Lee Wei Choy as non-executive Director, and (iii) Mr. Li Liangrong, Mr. Chen Rehao and Mr. Sheng Wenhao as independent non-executive Directors.*