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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

Our Board announces the unaudited consolidated results of our Company, its subsidiaries and consolidated affiliated entities (collectively referred to as our “**Group**”) for the six months ended June 30, 2023 together with the comparative figures for the six months ended June 30, 2022. These interim results have been reviewed by our Board’s audit committee together with our management.

	For the six months ended June 30,		Change
	2023 (Unaudited)	2022 (Audited)	
	<i>(RMB in millions, except percentages)</i>		
Revenue	144.1	182.6	(21.1%)
Gross profit	47.4	56.5	(16.1%)
Loss before tax	(19.9)	(12.3)	N/A
Loss for the period	(17.2)	(13.4)	N/A
Non-IFRS measures:			
Adjusted net loss	(17.2)	(6.3)	N/A
Adjusted net loss margin	(11.9%)	(3.5%)	N/A

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2023

	<i>Notes</i>	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Revenue	4	144,067	182,600
Cost of sales		<u>(96,717)</u>	<u>(126,059)</u>
Gross profit		<u>47,350</u>	<u>56,541</u>
Other income and gains		7,608	9,411
Selling and distribution expenses		(11,888)	(9,238)
Administrative expenses		(54,724)	(51,465)
Impairment losses on financial assets, net		(3,065)	(9,788)
Other expenses		(498)	(449)
Changes in fair value of financial assets at fair value through profit or loss		76	(4,588)
Finance costs		(1,452)	(1,047)
Share of losses of:			
Joint ventures		(1,143)	(168)
Associates		<u>(2,151)</u>	<u>(1,472)</u>
LOSS BEFORE TAX	5	(19,887)	(12,263)
Income tax credit/(expense)	6	<u>2,669</u>	<u>(1,111)</u>
LOSS FOR THE PERIOD		<u>(17,218)</u>	<u>(13,374)</u>
Attributable to:			
Owners of the parent		(15,078)	(11,883)
Non-controlling interests		<u>(2,140)</u>	<u>(1,491)</u>
		<u>(17,218)</u>	<u>(13,374)</u>
LOSS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT			
Basic and diluted (RMB)	8	<u>(0.04)</u>	<u>(0.03)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2023

	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
LOSS FOR THE PERIOD	(17,218)	(13,374)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>29,327</u>	<u>24,731</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>29,327</u>	<u>24,731</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>29,327</u>	<u>24,731</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>12,109</u>	<u>11,357</u>
Attributable to:		
Owners of the parent	<u>14,249</u>	<u>12,848</u>
Non-controlling interests	<u>(2,140)</u>	<u>(1,491)</u>
	<u>12,109</u>	<u>11,357</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2023

	<i>Notes</i>	June 30, 2023 (Unaudited) RMB'000	December 31, 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		181,726	172,388
Other intangible assets		150,521	161,960
Right-of-use assets		107,217	111,346
Goodwill		1,498,563	1,488,335
Investments in joint ventures		400,893	402,036
Investments in associates		616,916	617,867
Financial assets at fair value through profit or loss		64,627	26,744
Restricted cash		62,603	62,318
Deferred tax assets		66,747	60,165
Prepayments, other receivables and other assets		15,709	15,709
		<u>3,165,522</u>	<u>3,118,868</u>
Total non-current assets		3,165,522	3,118,868
CURRENT ASSETS			
Inventories		451	21
Program copyrights		119,385	110,135
Trade and notes receivables	9	459,052	625,956
Prepayments, other receivables and other assets		100,262	101,216
Due from related parties	13	481,145	453,645
Financial assets at fair value through profit or loss		190,117	–
Cash and cash equivalents		404,853	587,590
		<u>1,755,265</u>	<u>1,878,563</u>
Total current assets		1,755,265	1,878,563
CURRENT LIABILITIES			
Trade payables	10	157,133	253,252
Other payables and accruals		191,607	186,673
Tax payable		34,832	40,636
Lease liabilities		8,533	7,892
		<u>392,105</u>	<u>488,453</u>
Total current liabilities		392,105	488,453
NET CURRENT ASSETS		<u>1,363,160</u>	<u>1,390,110</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,528,682</u>	<u>4,508,978</u>

	June 30, 2023 (Unaudited) RMB'000	December 31, 2022 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Lease liabilities	3,925	7,670
Deferred tax liabilities	3,947	3,841
Other payables and accruals	<u>21,356</u>	<u>19,175</u>
Total non-current liabilities	<u>29,228</u>	<u>30,686</u>
Net assets	<u>4,499,454</u>	<u>4,478,292</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	3	3
Reserves	<u>4,482,236</u>	<u>4,458,994</u>
	<u>4,482,239</u>	<u>4,458,997</u>
Non-controlling interests	<u>17,215</u>	<u>19,295</u>
Total equity	<u>4,499,454</u>	<u>4,478,292</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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, Ugland 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 (“Controlling Shareholders”).

2.1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2022.

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since January 1, 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's policy aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after January 1, 2023, but are not required to disclose such information for any interim periods ending on or before December 31, 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on its 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*

	For the six months ended June 30,	
	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Mainland China	120,766	168,906
Other regions	23,301	13,694
	<u>144,067</u>	<u>182,600</u>

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

(b) *Non-current assets*

	June 30, 2023 (Unaudited) RMB'000	December 31, 2022 (Audited) RMB'000
	Mainland China	2,530,731
Other regions	440,814	428,179
	<u>2,971,545</u>	<u>2,969,641</u>

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
<i>Revenue from contracts with customers</i>	<u>144,067</u>	<u>182,600</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended June 30,	
	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Types of goods or services		
Variety program IP production, operation, and licensing	75,387	136,483
Music IP operation and licensing	19,238	19,509
Drama series and film IP operation and licensing	23,301	13,733
Other IP-related business	26,141	12,875
	<hr/>	<hr/>
Total revenue from contracts with customers	144,067	182,600
	<hr/> <hr/>	<hr/> <hr/>
Geographical markets		
Mainland China	120,766	168,906
Other regions	23,301	13,694
	<hr/>	<hr/>
Total revenue from contracts with customers	144,067	182,600
	<hr/> <hr/>	<hr/> <hr/>
	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Timing of revenue recognition		
Transferred at a point in time	27,489	53,050
Transferred over time	116,578	129,550
	<hr/>	<hr/>
Total revenue from contracts with customers	144,067	182,600
	<hr/> <hr/>	<hr/> <hr/>

5. LOSS BEFORE TAX

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

	For the six months ended June 30,	
	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Cost of variety program IP production, operation, and licensing	59,321	107,502
Cost of music IP operation and licensing	16,701	7,003
Cost of drama series and film IP operation and licensing	6,194	5,504
Cost of other IP-related business	14,501	6,050
(Reserval of impairment losses)/impairment losses on trade receivables, net	(798)	9,205
Impairment losses on financial assets included in prepayments, other receivables other assets	3,863	583
Listing expenses	–	7,130
	<u> </u>	<u> </u>

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% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Pursuant to the relevant tax law of the Macau Special Administrative Region, Macau profits tax has been provided at the rate of 12% (2022: 12%) on the estimated assessable profits arising in Macau during the period.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% (2022: 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% (2022: 15%) during the period, which will expire on November 12, 2023.

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

	For the six months ended June 30,	
	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Current – Charge for the period	3,950	1,269
Deferred tax	(6,619)	(158)
	<u> </u>	<u> </u>
Total tax (credit)/charge for the period	<u>(2,669)</u>	<u>1,111</u>

7. DIVIDENDS

The Board did not declare any interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the period ended June 30, 2023 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 398,495,465 (six months ended June 30, 2022: 383,399,768) in issue for the period ended June 30, 2023. The Group had no potentially dilutive ordinary shares in issue during the period ended June 30, 2023 and 2022.

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

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Earnings		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	(15,078)	(11,883)
	398,495,465	383,399,768
Shares		
Weighted average number of ordinary shares in issue during the period	398,495,465	383,399,768

9. TRADE AND NOTES RECEIVABLES

	As at	
	June 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Trade receivables	610,324	796,740
Notes receivables	14,251	11,000
	624,575	807,740
Less: Impairment of trade receivables	(165,523)	(181,784)
	459,052	625,956

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 reporting period, based on the transaction dates and net of loss allowance, is as follows:

	As at	
	June 30, 2023 (Unaudited) RMB'000	December 31, 2022 (Audited) RMB'000
Within 3 months	167,102	330,921
3 to 6 months	87,756	60,009
6 to 12 months	123,817	19,122
1 to 2 years	21,396	153,905
2 to 3 years	22,948	28,996
Over 3 years	21,782	22,003
	444,801	614,956
	444,801	614,956

Included in the Group's trade receivables were amounts due from the Group's related parties of RMB313,000 (December 31, 2022: RMB776,000), which were repayable on credit terms similar to those offered to the major customers of the Group.

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

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:

	As at	
	June 30, 2023 (Unaudited) RMB'000	December 31, 2022 (Audited) RMB'000
Within 1 year	100,053	191,468
1 to 2 years	34,128	40,689
2 to 3 years	6,858	4,288
Over 3 years	16,094	16,807
	157,133	253,252
	157,133	253,252

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

Included in the trade payables are trade payables of RMB9,346,000 as at June 30, 2023 (December 31, 2022: RMB8,832,000) due to the Group's related parties which are repayable within 30 days, which represented credit terms similar to those offered by the related parties to their major customers.

Included in the trade payables are liabilities arising from contracts with suppliers that are subject to legal cases of nil as at June 30, 2023 (December 31, 2022: RMB440,000).

11. CONTINGENT LIABILITIES

During the period, 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 Period ended June 30, 2023 (unaudited)

	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 June 30 <i>RMB'000</i>
MBC-Guess the Singer! 2016	11,900	-	-	-	11,900
Others	440	-	-	(440)	-
	<u>12,340</u>	<u>-</u>	<u>-</u>	<u>(440)</u>	<u>11,900</u>

For the year ended December 31, 2022 (audited)

	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>

12. COMMITMENTS

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

	As at June 30, 2023 (Unaudited) <i>RMB'000</i>	December 31, 2022 (Audited) <i>RMB'000</i>
Contracted, but not provided for:		
Leasehold land and construction in progress	<u>806,997</u>	<u>812,317</u>

13. DUE FROM RELATED PARTIES

		As at	
		June 30, 2023	December 31, 2022
	<i>Notes</i>	(Unaudited) RMB'000	(Audited) RMB'000
Due from related parties (non-trade):			
Mengxiang Qi'an Culture Development (Shanghai) Co., Ltd. ("Mengxiang Qi'an")	<i>(i)</i>	209,072	202,482
Shanghai Binqiao Enterprise management Co., Ltd. ("Shanghai Binqiao")	<i>(ii)</i>	271,573	251,163
Shanghai Xingkong Shui'an enterprise development Ltd.	<i>(iii)</i>	500	–
Total		<u>481,145</u>	<u>453,645</u>

Notes:

- (i) The amounts due from 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 RMB20,274,000 bear interest at the rate of 6% per annum.
- (iii) The amounts were unsecured and interest-free.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECTS

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 six months ended June 30, 2023, 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.

In the first half of 2023, we completed the broadcast of two variety programs, namely, Remember Me (百川樂時空) and the Great Dance Crew 2023 (了不起！舞社 2023), fewer than previous years as affected by the COVID-19 pandemic at the end of 2022. In the second half of 2023, we plan to launch "Sing! China 2023" (中國好聲音 2023), "Street Dance of China 2023" (這！就是街舞 2023) and "Guess the Singer 2023!" (蒙面唱將猜猜猜 2023), as well as producing and launching new talent and talk show variety programs, aiming to further diversify and expand our variety program IPs.

In the first half of 2023, revenue from our Company's other IP-related business increased by approximately 103.1% as compared to the same period last year. From the second quarter of 2023, our Company's artist management, commercial performance and in-person appearances resumed rapidly, partly because the domestic entertainment market was in full swing after the end of the COVID-19 pandemic, providing numerous business opportunities to our Company's contracted artists. Besides, our Company's core managed artists also gained more market attention, some of our Company's managed artists appeared as guests on major media platform variety shows, which further improved the commercial value of the artists.

Moreover, since May 2023, our Company has launched the "Good Voice and Goods" (好聲音暢享好物) live streaming business on Taobao, which not only allows the online communication of music and variety program production, but also provides an innovative consumption model for customers visiting the live streaming studio online, thus representing a key step taken forward by our Company to establish a new integrated entertainment consumption ecosystem with high-quality IPs.

On May 17, 2023, our Company formed a joint venture with Nfkings Productions Limited to leverage the strengths of each party to establish a new Web3 entertainment platform enabling an inclusive, social and flexible digital economy for traditional variety entertainment content. According to the press conference held by our Company on July 14, 2023, “Sing! Meta 耀音”, the first meta-universe application of “Sing! China”, will be launched later this year. For details, please refer to the announcement of our Company dated July 14, 2023, published on the website of the Hong Kong Stock Exchange.

On 23 July 2023, our Company successfully organized the 24th “China Music Awards (CMA) and Asian Influential Awards” (CMA全球華語榜中榜暨亞洲影響力大典) ceremony in Macau, which attracted a number of domestic and international celebrities from the music sector.

“Sing! China 2023” (中國好聲音 2023) was first released on July 28, 2023. On August 25, 2023, Zhejiang Satellite TV Station, being the primary broadcasting platform of “Sing! China 2023” (中國好聲音 2023), had announced the temporary suspension of broadcasting the program, pending further investigation into certain incidents revealed in recent media reports. For details, please refer to the voluntary announcement of our Company dated August 25, 2023, published on the website of the Hong Kong Stock Exchange.

Business Analysis by Business Segment

(i) Variety Program IP Production, Operation and Licensing

For the six months ended June 30, 2023, our Group successfully released a total of two variety programs, comprising Remember Me (百川樂時空) and Great Dance Crew 2023 (了不起！舞社2023).

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, talent shows and talk 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 June 30, 2023, our Group had a music library of 9,164 IPs, consisting of 3,717 live music recordings we produced during the creation of our music variety programs, 3,413 songs we produced for our managed artists, and 2,034 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 June 30, 2023, our Group owned and operated 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 June 30, 2023, we had a total number of 120 managed artists and had more than 1.3 million registered users on our Group's "Sing! China" app.

PROSPECTS AND 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 six months ended June 30, 2023, we recorded a revenue of RMB144.1 million and a gross profit of RMB47.4 million. Our net loss amounted to RMB17.2 million for the six months ended June 30, 2023, as compared with a net loss of RMB13.4 million for the same period last year. Our adjusted net loss in the first half of 2023 was RMB17.2 million as compared with the adjusted net loss of RMB6.3 million in the same period last year. The increase in net loss was mainly because of a reduction in the number of variety programs commenced 2022 year-end initial broadcast and lasting until the subsequent year as compared with the corresponding period of 2023 as a result of the adverse effects of COVID-19 pandemic in the year-end of 2022. This was offset by the increased business activities in film and drama series IP operation and licensing and other IP-related business.

Revenue by Business Segment

During the six months ended June 30, 2023 and 2022, 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 for the six months ended June 30, 2023 and 2022, accounting for approximately 52.3% and 74.7%, respectively. The table below sets forth a breakdown of our revenues by business segments for the six months ended June 30, 2023 and 2022:

	For the six months ended	
	June 30,	
	2023	2022
	<i>(RMB in millions)</i>	
Variety program IP production, operation, and licensing	75.4	136.5
Music IP operation and licensing	19.2	19.5
Film and drama series IP operation and licensing	23.3	13.7
Other IP-related business	26.2	12.9
	<hr/>	<hr/>
Total	144.1	182.6
	<hr/> <hr/>	<hr/> <hr/>

(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 six months ended June 30, 2023 and 2022:

	For the six months ended	
	June 30,	
	2023	2022
	<i>(RMB in millions)</i>	
Advertising sales	9.2	23.6
Commissioned programs	49.7	100.4
Licensing of broadcasting rights	–	0.1
Licensing of offline entertainment events	16.5	12.4
Total	75.4	136.5

Our Group's revenue generated from variety program IP production, operation and licensing decreased by 44.8% from RMB136.5 million for the six months ended June 30, 2022 to RMB75.4 million for the six months ended June 30, 2023, primarily due to a reduction in the number of variety programs commenced 2022 year-end initial broadcast and lasting until the subsequent year as compared with the corresponding period as a result of the adverse effects of COVID-19 pandemic in the year-end of 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 remained relatively stable at RMB19.5 million and RMB19.2 million for the six months ended June 30, 2022 and 2023, respectively.

(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 increased by 70.1% from approximately RMB13.7 million for the six months ended June 30, 2022 to approximately RMB23.3 million for the six months ended June 30, 2023, primarily due to the increase in revenue generated from our overseas markets through film IP licensing business as compared with the corresponding period 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 103.1% from approximately RMB12.9 million for the six months ended June 30, 2022 to approximately RMB26.2 million for the six months ended June 30, 2023, which is primarily due to the increase in revenue generated from our artist management business following the gradual recovery from the adverse effect from the COVID-19 pandemic since the start of 2023.

Cost of Sales

The following table sets forth our cost of sales by business segment for the six months ended June 30, 2023 and 2022:

	For the six months ended	
	June 30,	2022
	2023	
	<i>(RMB in millions)</i>	
Variety program IP production, operation, and licensing	59.3	107.5
Music IP operation and licensing	16.7	7.0
Film and drama series IP operation and licensing	6.2	5.5
Other IP-related business	14.5	6.1
Total	96.7	126.1

(i) Variety Program IP Production, Operation and Licensing

Cost of sales associated with variety program IP production, operation, and licensing decreased by 44.8% from RMB107.5 million for the six months ended June 30, 2022 to RMB59.3 million for the six months ended June 30, 2023, which is in line with the decrease in revenue generated from the variety program IP production, operation, and licensing for the six months ended June 30, 2023.

(ii) Music IP Operation and Licensing

Cost of sales associated with music IP operation and licensing increased by 138.6% from RMB7.0 million for the six months ended June 30, 2022 to RMB16.7 million for the six months ended June 30, 2023, primarily due to the increase in costs incurred in connection with the re-licensing of the old music songs of our Group's music library as compared with the same period of last year.

(iii) Film and Drama Series IP Operation and Licensing

Cost of sales associated with film and drama series IP operation and licensing increased by 12.7% from RMB5.5 million for the six months ended June 30, 2022 to RMB6.2 million for the six months ended June 30, 2023, in line with the increase in revenue from the same business segment.

(iv) Other IP-related Business

Cost of sales associated with other IP-related business increased by 137.7% from RMB6.1 million for the six months ended June 30, 2022 to RMB14.5 million for the six months ended June 30, 2023, in line with the revenue increase from our artist management business for the six months ended June 30, 2023.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by each business segment for the six months ended June 30, 2023 and 2022:

	For the six months ended June 30,			
	2023		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>(RMB in millions except in percentage)</i>			
Variety program IP production, operation, and licensing	16.1	21.4%	29.0	21.2%
Music IP operation and licensing	2.5	13.0%	12.5	64.1%
Film and drama series IP operation and licensing	17.1	73.4%	8.2	59.9%
Other IP-related business	11.7	44.7%	6.8	52.7%
Total	47.4	32.9%	56.5	30.9%

As a result of the foregoing, our gross profit decreased by 16.1% from RMB56.5 million for the six months ended June 30, 2022 to RMB47.4 million for the six months ended June 30, 2023.

(i) Variety Program IP Production, Operation and Licensing

Our gross profit for variety program IP production, operation, and licensing decreased by 44.5% from RMB29.0 million for the six months ended June 30, 2022 to RMB16.1 million for the six months ended June 30, 2023 which is in line with the decrease in revenue from the same business segment. Our gross profit margin remained relatively stable at 21.2% and 21.4% for the six months ended June 30, 2022 and 2023, respectively.

(ii) Music IP Operation and Licensing

As a result of the foregoing, our gross profit for music IP operation and licensing decreased by 80.0% from RMB12.5 million for the six months ended June 30, 2022 to RMB2.5 million for the same period this year. Our gross profit margin also decreased from 64.1% for the six months ended June 30, 2022 to 13.0% for the six months ended June 30, 2023, primarily due to the higher costs allocated in connection with the re-licensing of the old songs of our Group's music library with lower profitability for the six months ended June 30, 2023.

(iii) Film and Drama Series IP Operation and Licensing

Our gross profit for film and drama series IP operation and licensing increased by 108.5% from RMB8.2 million for the six months ended June 30, 2022 to RMB17.1 million for the same period this year. Our gross profit margin increased to 73.4% for the six months ended June 30, 2023 from 59.9% for the six months ended June 30, 2022. The increase in our gross profit margin was primarily due to the increase in revenue for this business segment.

(iv) Other IP-related Business

As a result of the foregoing, our gross profit for other IP-related business increased by 72.1% from RMB6.8 million for the six months ended June 30, 2022 to RMB11.7 million for the same period this year. Our gross profit margin decreased from 52.7% for the six months ended June 30, 2022 to 44.7% for the same period this year. The decrease was primarily due to the adjustments made in terms of settlement method for certain artists management contracts with our Group's managed artists.

Other Income and Gains

Our other income and gains decreased by 19.1% from RMB9.4 million for the six months ended June 30, 2022 to RMB7.6 million for the six months ended June 30, 2023, primarily due to the decrease in both interest income and government subsidies our Group received.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 29.3% from RMB9.2 million for the six months ended June 30, 2022 to RMB11.9 million for the six months ended June 30, 2023, primarily due to the increase in traveling and business development expenses resulting from an increase in our sales and marketing activities upon the gradual recovery from the adverse impact of the COVID-19 pandemic.

Administrative Expenses

Our administrative expenses increased by 6.2% from RMB51.5 million for the six months ended June 30, 2022 to RMB54.7 million for the same period this year, primarily due to the increase in office expenses following the end of the pandemic, as well as the professional service fees and expenses required for daily operations subsequent to the Listing.

Impairment of Goodwill

Our Group did not record any impairment loss on goodwill for the six months ended June 30, 2022 and 2023, respectively.

Impairment Losses on Financial Assets

We recorded impairment losses on financial assets of RMB3.1 million for the six months ended June 30, 2023 (for the six months ended June 30, 2022: RMB9.8 million). The change was primarily due to the higher expected loss of certain trade receivables based on our assessment in the six months ended June 30, 2022.

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 RMB0.1 million for the six months ended June 30, 2023 while recording a loss in changes in fair value of financial assets at fair value through profit or loss of RMB4.6 million for the same period last year. The gain was primarily due to the increase in the fair values of our investment of short-term bond investments.

Other Expenses

Our other expenses were relatively stable at RMB0.4 million and RMB0.5 million for the six months ended June 30, 2022 and 2023, respectively.

Finance Costs

Our finance costs were relatively stable at RMB1.0 million and RMB1.5 million for the six months ended June 30, 2022 and 2023, respectively.

Share of Profits and Losses of Joint Ventures and Associates

Our share of losses of joint ventures increased to RMB1.1 million for the six months ended June 30, 2023 from RMB0.2 million for the same period last year. Our share of losses from associates for the six months ended June 30, 2023 increased to RMB2.2 million from RMB1.5 million for the same period last year.

Income Tax Expenses

We recorded income tax credit of RMB2.7 million for the first half of 2023 as compared with income tax expenses of RMB1.1 million for the same period last year, primarily due to losses before tax incurred for the six months ended June 30, 2023.

Loss for the Period

As a result of the above, we recorded a net loss of RMB17.2 million for the six months ended June 30, 2023 as compared with a net loss of RMB13.4 million in the same period last year. We recorded an adjusted net loss (non-IFRS measures) of RMB17.2 million for the six months ended June 30, 2023, as compared with an adjusted net loss (non-IFRS measures) of RMB6.3 million for the same period last year, primarily due to a reduction in the number of variety programs commenced 2022 year-end initial broadcast and lasting until the subsequent year as compared with the corresponding period as a result of the adverse effects of COVID-19 pandemic in the year-end of 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 the 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 loss for the six months ended June 30, 2023 and 2022, respectively.

	For the six months ended	
	June 30,	
	2023	2022
	<i>(RMB in millions)</i>	
Loss for the period	(17.2)	(13.4)
Adjusted for:		
Listing expenses	—	7.1
Adjusted net loss^(a) (non-IFRS measures)	<u>(17.2)</u>	<u>(6.3)</u>
Adjusted net loss margin^(b) (non-IFRS measures)	<u>(11.9%)</u>	<u>(3.5%)</u>

Notes:

- (a) Adjusted net profit/(loss) (non-IFRS measures) is defined as profit/(loss) for the period adjusted for listing expenses. 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 RMB181.7 million as of June 30, 2023, representing an increase of RMB9.3 million or 5.4% from RMB172.4 million as of December 31, 2022. 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 RMB1,498.6 million as of June 30, 2023, representing an increase of RMB10.3 million or 0.7% from RMB1,488.3 million as of December 31, 2022, which was primarily due to the fluctuations in the foreign exchange rates, as the assets of Fortune Star Media Limited (“FSML”) is measured in US dollars.

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

	As at	
	June 30,	December 31,
	2023	2022
	<i>(RMB in millions)</i>	
MXQY unit	1,215.6	1,215.6
FSML unit	283.0	272.7
	1,498.6	1,488.3

Significant Investments

Our investments in associates remained stable at RMB617.9 million and RMB616.9 million as of December 31, 2022 and June 30, 2023, respectively. Our investments in joint ventures remained stable at RMB402.0 million and RMB400.9 million as of December 31, 2022 and June 30, 2023, respectively. 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 the reporting period.

Amounts Due from Related Parties

Amounts due from related parties increased by RMB27.5 million or 6.1% to RMB481.1 million as of June 30, 2023 from RMB453.6 million as of December 31, 2022, primarily due to the increase in amounts due from related parties. For details, please refer to note 13 above.

Other Intangible Assets

Our other intangible assets decreased by RMB11.5 million or 7.1% to RMB150.5 million as of June 30, 2023 from RMB162.0 million as of June 30, 2022, primarily due to re-licensing of the old songs of our Group’s music library and regular amortization of our intangible assets.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss amounted to RMB254.7 million as of June 30, 2023, representing an increase of RMB228.0 million or 8.5 times from RMB26.7 million as of December 31, 2022, primarily due to purchases of items of financial assets at fair value through profit or loss during the six months ended June 30, 2023.

Restricted Cash

Our restricted cash remained relatively stable at RMB62.3 million and RMB 62.6 million for the year ended December 31, 2022 and for the six months ended June 30, 2023, respectively.

Program Copyrights

Our program copyrights amounted to RMB119.4 million as of June 30, 2023, representing an increase of RMB9.3 million or 8.4% from RMB110.1 million as of December 31, 2022, which was primarily due to the increased number of variety programs under production for release in the second half of 2023.

Trade and Notes Receivables

Our trade and notes receivables amounted to RMB459.1 million as of June 30, 2023, representing a decrease of RMB166.9 million or 26.7% from RMB626.0 million as of December 31, 2022, which was primarily due to the collection of trade receivables of our variety programs produced in 2022.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets remained stable at RMB116.0 million and RMB116.9 million as of June 30, 2023 and December 31, 2022, respectively.

Trade Payables

Our trade payables amounted to RMB157.1 million as of June 30, 2023, representing a decrease of RMB96.2 million or 38.0% from RMB253.3 million as of December 31, 2022, primarily due to the settlement of trade payables incurred in relation to our variety produced and initially broadcasted in 2022.

Other Payables and Accruals

Our other payables and accruals amounted to RMB213.0 million as of June 30, 2023, representing a mild increase of RMB7.2 million or 3.5% from RMB205.8 million as of December 31, 2022.

Lease Liabilities

Our lease liabilities amounted to RMB12.5 million as of June 30, 2023, representing a decrease of RMB3.1 million or 19.9% from RMB15.6 million as of December 31, 2022, primarily due to the lease payments made over time while there was no lease renewal during the first half of 2023.

Liquidity and Capital Resources

As of June 30, 2023, 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 RMB404.9 million and RMB587.6 million as of June 30, 2023 and December 31, 2022, 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 periods indicated, respectively:

	For the six months ended June 30, 2023	For the year ended December 31, 2022
	<i>(RMB in millions)</i>	
(Loss)/profit before tax	<u>(19.9)</u>	<u>104.4</u>
Adjustments	33.9	65.6
Change in working capital	74.3	169.9
Income tax paid	(9.9)	(19.1)
Interest received	<u>2.3</u>	<u>5.4</u>
Net cash flows from operating activities	80.7	326.2
Net cash flows used in investing activities	(269.9)	(602.3)
Net cash flows from financing activities	<u>4.4</u>	<u>310.8</u>
Net (decrease)/increase in cash and cash equivalents	(184.8)	34.7
Cash and cash equivalents at the beginning of the period	587.6	547.2
Effect of foreign exchange rate changes, net	<u>2.1</u>	<u>5.7</u>
Cash and cash equivalents at the end of the period	<u>404.9</u>	<u>587.6</u>

Gearing Ratio

As of June 30, 2023, our gearing ratio was 0.3% (December 31, 2022: 0.3%).

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 the reporting period.

Pledge of Assets

As of June 30, 2023, pledged time deposit amount to RMB62.6 million was pledged for the purchase of leasehold land and litigation.

Contingent Liabilities

As of June 30, 2023, 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 June 30, 2023, major non-RMB assets are cash and cash equivalents which denominated in HK\$ or 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

Save as already disclosed in this announcement, 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 June 30, 2023, our Group had 339 employees. Total staff remuneration expenses including Directors' remuneration in the first half of 2023 amounted to RMB44.0 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 six months ended June 30, 2023 and up to the date of this announcement.

(i) The ongoing concluded 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) (“**Hummingbird**”), 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. In June 2023, the court rendered a judgment in our favor, absolving us of any obligation to provide compensation. On July 6, 2023, Hummingbird filed a petition to the Shanghai High People’s Court for appeal against this judgment.

(ii) The ongoing 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 the 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 judgment 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 judgment of which the hearing commenced on June 16, 2023. As of the date of this announcement, the court is yet to render judgment on this case.

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

Save as already disclosed, as of the date of this announcement, there were no significant events that might affect our Group since the six months ended June 30, 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Our Board is committed to achieving 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 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 during the reporting period, 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 during the six months ended June 30, 2023. 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 for the six months ended June 30, 2023.

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 unaudited condensed consolidated financial information in this announcement for the six months ended June 30, 2023, and has discussed with the senior management of our Company, on matters with respect to the accounting policies, financial reporting matters and practices adopted by our Company and internal control. There is no disagreement between the Board and the audit committee regarding the accounting treatment adopted by our Company.

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

During the six months ended June 30, 2023, 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 (including the partial exercise of the over-allotment option) amounted to approximately HK\$328.3 million (equivalent to approximately RMB293.0 million), after deducting the underwriting commissions, fees and expenses payable by us in connection with the Listing which will be used in a manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" as set out in our Prospectus. As of June 30, 2023, we had approximately HK\$238.8 million (equivalent to approximately RMB211.7 million) remaining in net proceeds.

INTERIM DIVIDEND

Our Board does not recommend the payment of an interim dividend for the six months ended June 30, 2023.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.starcmgroup.com. The interim report for the six months ended June 30, 2023 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

“Board”	the board of directors of our Company
“China” or the “PRC”	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
“Company”	STAR CM Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands on March 29, 2021
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“COVID-19”	Coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“Director(s)”	the director(s) of our Company
“Global Offering”	has the meaning ascribed to it in the Prospectus
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Listing”	the listing of Shares of our Company on the Main Board of the Stock Exchange on December 29, 2022
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Prospectus”	Our Company’s prospectus dated December 15, 2022, a copy of which is available on the Stock Exchange’s website at www.hkexnews.hk
“RMB”	Renminbi yuan, the lawful currency of the People’s Republic of China
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.000001 each
“Shareholder(s)”	holder(s) of our Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$” or “US dollar(s)”	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, August 29, 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.