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**STARLIGHT CULTURE
ENTERTAINMENT**

STARLIGHT CULTURE ENTERTAINMENT GROUP LIMITED

星光文化娛樂集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1159)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

UNAUDITED ANNUAL RESULTS

For the reasons explained below under “IMPACT OF COVID-19 UPON THE GROUP’S OPERATIONS AND FINANCIAL RESULTS”, the auditing process for the annual results of Starlight Culture Entertainment Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) has not been completed. The unaudited consolidated results of the Company have not yet been agreed with the auditor of the Company.

IMPACT OF COVID-19 UPON THE GROUP’S OPERATIONS AND FINANCIAL RESULTS

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to delay in provision of information and documents as well as delay in related audit procedures as a result of insufficiency of human resources of the Group affected by COVID-19 and local lockdown arrangements since early 2022.

Since the year of 2019, the media business of the Group has been affected by the COVID-19 pandemic which has spread all over the world. Business activities slowed down and some of the film and TV drama projects currently being developed by the Group have been postponed.

Delays in distribution, settlement as well as receipt of income of TV drama and film investments of the Company significantly and negatively affected the operating results, which in turn reduced the amount of revenue recognized. The gross loss of approximately HK\$14.2 million recorded in this unaudited annual results was therefore mainly attributable to the amount of amortization recognized exceeded the revenue recognized from these investments.

As more time is required by the Company for collection of further information and for completion of certain procedures for financial reporting and auditing, in particular the valuation of certain assets and liabilities of the Group as well as USA tax provision review, this unaudited consolidated results of the Company have not yet been agreed with the auditor of the Company, in particular, the amounts of revenue, cost of sales, investment loss on financial and contract assets, the change in fair value of derivative financial liabilities, other expenses, income tax expense, film prepayment, investment in films and television programs and program rights, trade receivables, contract assets, contract liabilities, derivative financial liabilities, tax payables, and deferred tax liabilities shown in this announcement are subject to further review of the auditor of the Company.

Following the completion of the financial reporting and auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2021 (“**Audited Results**”) as agreed by the Company’s auditors and the material differences (if any) as compared with the unaudited annual results contained herein. Further announcement(s) will be published in relation to the update on the timetable of the announcement for the Audited Results and the annual report for 2021 as soon as practicable to keep the shareholder and potential investors of the Company informed.

In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the financial reporting and auditing process.

In the meantime, the board (the “**Board**”) of directors (the “**Directors**”) of the Company announces its unaudited annual consolidated results for the year ended 31 December 2021 which was prepared based on the information currently available to the management of the Company, together with the corresponding comparative audited figures for the year ended 31 December 2020, and was reviewed by the audit committee of the Company, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

		(Unaudited) 2021 HK\$'000	(Audited) 2020 HK\$'000
	Notes		
CONTINUING OPERATIONS			
REVENUE	5	145,292	47,761
Cost of sales		<u>(159,506)</u>	<u>(75,997)</u>
Gross loss		(14,214)	(28,236)
Other income and gains		5,456	3,775
Selling and distribution expenses		(8,037)	–
Administrative expenses		(34,904)	(24,219)
Impairment losses on financial and contract assets, net		(42,456)	(90,436)
Change in fair value of derivative financial liabilities		2,620	14,390
Finance costs	7	(11,683)	(13,602)
Other expenses		<u>(8,922)</u>	<u>(12,143)</u>
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(112,140)	(150,471)
Income tax expense	8	<u>(4,776)</u>	<u>(11,785)</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(116,916)	(162,256)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	9	<u>(1,800)</u>	<u>(152)</u>
LOSS FOR THE YEAR		<u><u>(118,716)</u></u>	<u><u>(162,408)</u></u>

	(Unaudited)	(Audited)
	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:		
Owners of the parent	(118,666)	(162,275)
Non-controlling interests	<u>(50)</u>	<u>(133)</u>
	<u>(118,716)</u>	<u>(162,408)</u>

LOSS PER SHARE ATTRIBUTABLE
TO ORDINARY EQUITY HOLDERS OF
THE PARENT

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Basic and diluted		
– For loss for the year	<u>HK (14.41) cents</u>	<u>HK (19.70) cents</u>
– For loss for continuing operations	<u>HK (14.19) cents</u>	<u>HK (19.68) cents</u>

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	(Unaudited) 2021 HK\$'000	(Audited) 2020 HK\$'000
LOSS FOR THE YEAR	<u>(118,716)</u>	<u>(162,408)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>9,435</u>	<u>8,531</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>9,435</u>	<u>8,531</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>9,435</u>	<u>8,531</u>
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR	<u>(109,281)</u>	<u>(153,877)</u>
Attributable to:		
Owners of the parent	(109,225)	(153,748)
Non-controlling interests	<u>(56)</u>	<u>(129)</u>
	<u>(109,281)</u>	<u>(153,877)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

		(Unaudited) 2021 HK\$'000	(Audited) 2020 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		1,720	1,781
Right-of-use assets		4,191	4,384
Film prepayment		370,279	–
Investment in films and television programs and program rights		11,700	–
Total non-current assets		387,890	6,165
CURRENT ASSETS			
Trade receivables	12	27,266	67,233
Prepayments, other receivables and other assets		135,698	404,567
Contract assets		41,498	94,025
Investment in film and television programs and program rights		152,166	301,062
Cash and cash equivalents		156,991	142,837
Assets of a disposal group classified as held for sale	9	–	2,568
Total current assets		513,619	1,012,292
CURRENT LIABILITIES			
Other payables and accruals		270,808	156,656
Contract liabilities		80,371	92,618
Amount due to a director		180	–
Interest-bearing bank and other borrowings		402,262	184,830
Derivative financial liabilities		15,325	17,945
Promissory notes		–	1,000
Lease liabilities		2,653	1,938
Tax payable		44,600	38,056
Liabilities directly associated with the assets classified as held for sale	9	–	4,833
Total current liabilities		816,199	497,876
NET CURRENT (LIABILITIES) ASSETS		(302,580)	514,416

		(Unaudited) 2021 <i>HK\$'000</i>	(Audited) 2020 <i>HK\$'000</i>
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>85,310</u>	<u>520,581</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		–	325,089
Amounts due to a shareholder		1,227	1,188
Lease liabilities		1,840	2,780
Deferred tax liabilities		<u>14,949</u>	<u>14,949</u>
Total non-current liabilities		<u>18,016</u>	<u>344,006</u>
Net assets		<u><u>67,294</u></u>	<u><u>176,575</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	82,356	82,356
Reserves		<u>(14,043)</u>	<u>120,192</u>
		68,313	202,548
Non-controlling interests		<u>(1,019)</u>	<u>(25,973)</u>
Total equity		<u><u>67,294</u></u>	<u><u>176,575</u></u>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Starlight Culture Entertainment Group Limited (the “**Company**”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company is Room 2001, 20/F, 118 Connaught Road West, Hong Kong.

During the year and up to 31 December 2021, the Company and its subsidiaries (the “**Group**”) were involved in media and culture business.

In the opinion of the directors of the Company (the “**Directors**”), the single largest shareholder of the Company is Timcha Investment Limited (formerly known as CICFH Innovation Investment Limited) (“**Timcha**”), a company wholly owned by 江陰星輝文化傳播有限公司 (Jiangyin Starlight Communications Co., Ltd. *), a limited company incorporated in the PRC. In the opinion of the Directors, as of 31 December 2021, the Company had no single controlling shareholder.

* *The English name of the entity registered in the People’s Republic of China (the “**PRC**”) represent the best efforts made by the management of the Company to translate its Chinese name as the entity does not have official English name.*

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

The Group had no interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“**HIBOR**”) and United States dollars based on the London Interbank Offered Rate (“**LIBOR**”) as at 31 December 2021.

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

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has only one reportable operating segment that is Media and culture business segment, which engages in investment production and distribution of entertainment content such as film and television programs.

Segment assets and segment liabilities information is set out below.

Year ended 31 December 2021	Media and culture business HK\$'000	Total HK\$'000
Segment assets	901,509	901,509
Total assets		901,509
Segment liabilities	834,215	834,215
Total liabilities		834,215

Year ended 31 December 2020	Media and culture business HK\$'000	Total HK\$'000
Segment assets	1,015,889	1,015,889
<u>Reconciliation:</u>		
Assets related to a discontinued operation		2,568
Total assets		1,018,457
Segment liabilities	837,049	837,049
<u>Reconciliation:</u>		
Liabilities related to a discontinued operation		4,833
Total liabilities		841,882

Geographical information

(a) Revenue from external customers

	2021 HK\$'000	2020 HK\$'000
United States of America	145,292	47,761

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

(b) Non-current assets

	2021 HK\$'000	2020 HK\$'000
United States of America	230,600	5,028
Hong Kong	156,654	1,137
Mainland China	636	—
	387,890	6,165

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

Information about major customers

Revenue from major customers individually amounting to over 10% to the total revenue of the Group is set out below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	126,316	–
Customer B	–	13,372
Customer C	–	13,970
Customer D	–	11,176
Customer E	–	7,451
	<u>126,316</u>	<u>45,969</u>

5. REVENUE

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers	<u>145,292</u>	<u>47,761</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

For the year ended 31 December 2021

<u>Segments</u>	Media and culture business <i>HK\$'000</i>
Types of goods or services	
Revenue from motion pictures	135,239
Capital Gain	<u>10,053</u>
Total revenue from contracts with customers	<u><u>145,292</u></u>
Geographical market	
United States of America	<u>145,292</u>
Total revenue from contracts with customers	<u><u>145,292</u></u>
Timing of revenue recognition	
At a point in time	<u>145,292</u>
Total revenue from contracts with customers	<u><u>145,292</u></u>

For the year ended 31 December 2020

<u>Segments</u>	Media and culture business <i>HK\$'000</i>
Types of goods or services	
Revenue from motion pictures	13,391
Film production services	15,743
Other services	<u>18,627</u>
Total revenue from contracts with customers	<u><u>47,761</u></u>
Geographical market	
United States of America	<u>47,761</u>
Total revenue from contracts with customers	<u><u>47,761</u></u>
Timing of revenue recognition	
At a point in time	32,018
Services transferred over time	<u>15,743</u>
Total revenue from contracts with customers	<u><u>47,761</u></u>

(b) Performance obligations

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

Revenue from motion pictures and television programs

Revenue from motion pictures is recognised at the later of when the subsequent sale or usage of the royalties occurs, and when the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied). The actual amounts due to the Group under these arrangements are generally not reported to the Company until after the close of the reporting period. The Group records revenue under these arrangements for the amounts due and not yet reported to the Group based on estimates of the sales or usage of the royalties and pursuant to the terms of the contracts. Such estimates are based on information from the statement of net receipt, historical experience with similar genres in that market or territory, the performance of the genres in other markets, and/or data available in the industry.

Revenue from television programs is recognised when master tapes and materials have been delivered to broadcasting sources and the rights to broadcast have been licensed in accordance with the terms of the underlying agreements, and the rights to receive payments are established, based on the pre-determined share of the sales proceeds from the licensing of the related television programs set out in the respective agreements.

Film production services

Revenue from film production services is recognised over time, using the output method to measure progress towards complete satisfaction of the services, because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The output method recognises revenue based on the proportion of the work completed relative to the estimated total work.

Sale of investment in television programs and program rights

Revenue from sale of investment in television programs and program rights is recognised at the point in time when the interests in the underlying investments is transferred to the customer, major obligations in the agreement have been fulfilled and the right to receive payment is established.

Other services

Revenue from other services is recognised at the point in time when the service is fully delivered to the customer, and the right to receive payments is established.

Capital Gain

Capital gain is recognised at the point in time when the asset is transferred to the customer, major obligations in the agreement have been fulfilled and the right to receive payment is established.

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Cost of sales*		159,506	75,997
Amortisation of investment in film and television programs and program rights*		159,506	64,425
Depreciation of property, plant and equipment		836	966
Depreciation of right-of-use assets		2,851	2,719
Lease payments not included in the measurement of lease liabilities		431	842
Auditor's remuneration		2,822	2,446
Employee benefit expense (excluding Directors' and chief executive's remuneration):			
Wages and salaries		11,614	5,496
Pension scheme contributions		151	162
		11,765	5,658
Foreign exchange differences, net		330	2,381
Impairment of financial and contract assets, net:			
Impairment of trade receivables, net	12	6,824	65,005
Impairment of contract assets, net		35,632	25,431
		42,456	90,436
Fair value gains, net:			
Derivative financial liabilities		(2,620)	(14,390)

* Cost of services provided and amortisation of investment in film and television programs and program rights are included in "Cost of sales" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank loans and other borrowings	11,374	13,073
Interest on lease liabilities	298	306
Interest expense on promissory notes	11	223
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	11,683	13,602
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax was made as the Group did not generate any assessable profits in Hong Kong during the years ended 31 December 2021 and 2020. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Income tax consists income tax charged on the Group in Mainland China and United States of America (“USA”). Provision for the PRC enterprise income tax was calculated based on the statutory tax rate of 25% on the assessable income of the PRC companies during the years ended 31 December 2021 and 2020. USA income tax applicable to the Group was charged at the federal tax rate of 21% and state tax rate, net of federal effect, of 7% during the years ended 31 December 2021 and 2020.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Elsewhere	4,776	(120)
Deferred	–	11,905
	<hr/>	<hr/>
Total tax charge for the year from continuing operations	4,776	11,785
	<hr/> <hr/>	<hr/> <hr/>

9. DISCONTINUED OPERATIONS

The Company's board of Directors decided to cease its entertainment and gaming business (the "Ceased Gaming Business") on 20 February 2020 in order to focus its resources on its media and culture business. The disposal of the Ceased Gaming Business was completed in February 2021. Before its disposal in February 2021, the Ceased Gaming Business was classified as discontinued operations. With the classification as discontinued operations, the Ceased Gaming Business segment was no longer included in the note for operating segment information.

The results of the Ceased Gaming Business are presented below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	—	—
Cost of sales	—	—
Gross profit	—	—
Other income and gains	—	9
Loss on disposal of subsidiaries	—	—
Administrative expenses	—	(2,616)
Loss before tax from the discontinued operations	—	(2,607)
(Loss)/gain on the disposal of the discontinued operations	(1,800)	2,455
Loss before tax from the discontinued operations	(1,800)	(152)
Income tax	—	—
Loss for the year from the discontinued operations	(1,800)	(152)

The net cash flows incurred by the Ceased Gaming Business are as follows:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Operating activities	<u>(59)</u>	<u>(366)</u>
Net cash outflow	<u>(59)</u>	<u>(366)</u>
Loss per share:		
Basic, from the discontinued operations	HK0.22cents	HK0.02cents
Diluted, from the discontinued operations	<u>HK0.22cents</u>	<u>HK0.02cents</u>

The calculation of basic loss per share from the discontinued operations are based on:

	2021	2020
Loss attributable to ordinary equity holders of the parent from the discontinued operations	HK\$1,800,000	HK\$139,000
Weighted average number of ordinary shares used in the basic loss per share calculation	<u>823,564,799</u>	<u>823,564,799</u>

The Group has no potentially dilutive ordinary shares in issue during the years ended 31 December 2021.

10. DIVIDENDS

No dividend has been paid or declared during each of the years ended 31 December 2021 and 2020. The Directors do not recommend the payment of any dividends for 2021 (2020: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 823,564,799 (2020: 823,564,799) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculation of the basic loss per share is based on:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<u>Loss</u>		
Loss attributable to ordinary equity holders of the parent		
Attributable to:		
Continuing operations	(116,866)	(162,136)
Discontinued operations	<u>(1,800)</u>	<u>(139)</u>
	<u>(118,666)</u>	<u>(162,275)</u>
	Number of shares	
	2021	2020
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>823,564,799</u>	<u>823,564,799</u>

12. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	108,176	138,864
Impairment	<u>(80,910)</u>	<u>(71,631)</u>
	<u>27,266</u>	<u>67,233</u>

Trade receivables from royalties from film and television programs are due when reported to the Group, and usually received within 30 to 180 days. Trade receivables from sales of investment in television programs and program rights are due based on payment schedule specified in contract. Trade receivables from other revenue sources are usually within 180 days from the date of provision of services. The Group recognises lifetime ECLs for all trade receivables and measures the lifetime ECLs on a specific basis according to management's assessment of the recoverability of an individual receivable. Management considers the number of days that an individual receivable is outstanding, historical experience and forward-looking information to determine the recoverability of the trade receivable. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Over 3 months	<u>27,266</u>	<u>67,233</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	71,631	9,238
Impairment losses (<i>note 6</i>)	6,824	65,005
Disposal of a subsidiary	–	(6,632)
Exchange realignment	<u>2,455</u>	<u>4,020</u>
At end of year	<u>80,910</u>	<u>71,631</u>

Loss allowances recognised of HK\$6,824,000 (2020: HK\$65,005,000) included an allowance of HK\$5,827,000 (2020: HK\$63,808,000) for receivables in respect of investments in two television programs and program rights sold to a customer in 2019. Certain incidents happened to the producer and the distributor of the two television programs led to a limitation of distribution of television programs they produced. The Directors, upon consulting its legal advisor, are of the view that the Group has no additional obligation for the investments in two television programs and program rights sold, including the refund of considerations partially received. The Directors assessed the loss allowance of these receivables taking into account the probability-weighted outcome, the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

13. SHARE CAPITAL

Shares

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Issued and fully paid: 823,564,799 (2020: 823,564,799)	<u>82,356</u>	<u>82,356</u>
Authorised: 20,000,000,000	<u>2,000,000</u>	<u>2,000,000</u>

A summary of the Company's share capital is as follows:

	Number of shares in issue	Share capital <i>HK\$'000</i>
At 1 January 2021 and 31 December 2021	<u>823,564,799</u>	<u>82,356</u>

14. EVENT AFTER THE REPORTING PERIOD

There is no major event after the reporting period that should be notified to the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

The media business of the Group has been affected by the COVID-19 pandemic which has spread all over the world since the year of 2019. Business activities slowed down and some of the film and TV drama projects currently being developed by the Group have been postponed.

Delays in distribution, settlement as well as receipt of income of TV drama and film investments of the Company significantly and negatively affected the operating results regarding these investments, which in turn reduced the amount of revenue recognized during the years of 2021 and 2020. The recorded gross loss for the year of 2021 of approximately HK\$14.2 million (2020: gross loss of approximately HK\$28.2 million) was mainly attributable to the amount of amortization recognized exceeded the revenue recognized from these investments.

Revenue from its media and culture business for the year of 2021 was approximately HK\$145.3 million (2020: approximately HK\$47.8 million).

The Group reported an unaudited net loss attributable to owners of the Company of approximately HK\$118.7 million for the year ended 31 December 2021 (2020: approximately HK\$162.3 million).

The Group will continue to monitor the development of COVID-19 situation closely and assess its impacts on the financial position and operating results of the Group.

Media and Culture

The Group's movies and TV drama series products and investments, projects incubated by film directors and related prepayments amounted to approximately HK\$534.1 million as at 31 December 2021, and the followings are some highlights:

Media investments and products

Crazy Rich Asians

The movie was invested and released by Warner Bros. Pictures, co-invested by the Group and directed by director Jon M. Chu (who has entered into an agreement with the Group), and was released in August 2018. The film was adapted from a best-selling novel written by Kevin Kwan under the same title, which has a solid reader base. The movie stars Constance Wu, Henry Golding, Michelle Yeoh, and etc. The highly anticipated movie is the first major film that is not a period piece in Hollywood in two and a half decades to feature an all ethnically Asian cast. As the first adapted work of the novel series, there is also expectation for it to develop into commercially successful film series where the stories of the two sequels mainly take place in China. To date, according to Box Office Mojo, its worldwide gross is US\$238,538,736.

Greta

The thriller/crime movie is directed by Neil Jordan who won the Academy Award for Best Original Screenplay and starring French actress Isabelle Huppert who has been nominated for the Academy Award for Best Actress. The international sales of the movie are undertaken by veteran sales agency Sierra/Affinity. To date, international sales are anticipated to be US\$9.5 million. The movie premiered at the Toronto International Film Festival in September 2018 and was released in March 2019.

Midway

The Group arranged the investment in the epic drama movie, directed by the well-known director Roland Emmerich (who has entered into an agreement with the Group), produced by Mark Gordon and starring Woody Harrelson, Mandy Moore and Luke Evans. It started principal photography in 2018 and was released on 8 November 2019. The movie is also the first World War II film of Roland Emmerich. It is adapted from the true stories of the Battle of Midway and tells rarely known stories of war heroes. The total budget is approximately US\$100 million. In terms of distribution, Summit Entertainment, LLC is responsible for the U.S., Bona Film Group is responsible for the Greater China area and Accelerate Global Content, LLC is responsible for overseas sales. The Deadline Magazine has provided extensive coverage in this regard and the commentary described the movie as “one of the biggest movies on-sale at Cannes”. During the pre-sales period, excluding the Greater China area, overseas pre-sales has exceeded US\$30 million.

The movie topped the North American box office only in its opening week. According to Box Office Mojo, its worldwide gross amounted to US\$126,696,475. In addition, the movie also enjoyed positive buzz among audiences since releasing, with being scored by up to 92% of audiences (Audience Score) on Rotten Tomatoes, a professional film critics website.

Scary Stories to Tell in the Dark

The movie is distributed in US by Lionsgate, co-financed by CBS Films, eOne, the Group and Rolling Hills and was released in August 2019. The film is adapted from a bestselling series of short horror stories, written by Alvin Schwartz under the same title. It is directed by André Øvredal, produced by Academy Award Winner Guillermo del Toro, written by Dan Hageman, Kevin Hageman, and Guillermo del Toro. Starring Zoe Margaret Colletti, Michael Garza, Gabriel Rush, etc., the movie's international distributor is Entertainment One and Sierra/Affinity is the foreign sales agency of the picture. Produced for US\$25 million, the movie earned US\$21 million at the domestic box office in its opening weekend. To date, according to Box Office Mojo, its worldwide gross is US\$104,545,505.

Malignant

Malignant is a 2021 American horror film directed by James Wan from a screenplay by Akela Cooper, based on a story by Wan, Ingrid Bisu, and Cooper. The film stars Annabelle Wallis as a woman who begins to have visions of people being murdered, only to realize the events are happening in real life. Maddie Hasson, George Young, Michole Briana White, and Jacqueline McKenzie also star. *Malignant* was theatrically released in the United States on September 10, 2021, by Warner Bros. Pictures simultaneously streamed on HBO Max for one month. It is streaming on YouTube, Apple TV, Google Play Movies & TV, Vudu, Amazon Prime Video, YouTube TV and Hulu now.

Posted to his Twitter handle, Stephen King, the legendary horror author praises Wan's *Malignant*. In one short sentence, King sums up his feelings, saying, "*I watched MALIGNANT on HBO and thought it was brilliant.*" King's tweet already has over 2,461 retweets and 33,000 likes. While critics and fans seem mixed over Wan's new horror movie, King sincerely feels the film is brilliant. Given King's expertise in all things horror, receiving praise from the author must feel like a high honor. For many fans who have yet to see *Malignant*, King's high praise is sure to peak their interest.

Malignant was released to high reviews and good word of mouth. David Stratton from *The Australian* mentioned that “Wan cheerfully draws on the extreme work of horror film aficionados such as David Cronenberg and Dario Argento as he piles on the bloody violence.” Becca James from *Chicago Reader* mentioned that “Malignant is the type of movie that requires viewers to strap in and shut up from the onset.” A.A. Dowd from *AV Club* mentioned that “There’s no way to watch this deranged follow-up and not conclude that Wan’s back where he belongs.” Alison Shoemaker from *Fox 10 Phoenix* mentioned that “Wan’s final twist is so maniacal and so (and this is a compliment) deeply and thoroughly stupid that it more than makes up for the minor missteps along the way.” Perri Nemiroff from YouTube mentioned that “James Wan swings for the fences and it pays off big time. Malignant is a bonkers and bloody delight that showcases a multitude of different skills and styles Wan’s honed through his horror films over the years.” The IMDb rating of Malignant is 6.3/10. And, the Tomatometer of Malignant reaches 76%.

Malignant won the ReFrame Stamp for Best Feature at ReFrame 2022. It was also nominated for 1)BloodGuts UK Horror Awards at BloodGuts UK Horror Awards 2022 2)Best CCA Super Awards at Critics Choice Super Awards 2022 3)Dorian Award at GALECA: The Society of LGBTQ Entertainment Critics 2022 4)HFCS Award at Hawaii Film Critics Society 2022 5) HCA Award at Hollywood Critics Association 2022 6)HCA Awards At Hollywood Critics Association 2021 7)INOCA at International Online Cinema Awards (INOCA) 2022 8)MCFCA Award at the Music City Film Critics’ Association Awards 2022 9)PCC Award at the Phoenix Critics Circle 2021 10)PCA Award at the Portland Critics Association Awards 2021.

Marshall

The movie was obtained by the Group through acquisition. It is internationally distributed by Sony Pictures Worldwide Acquisitions Inc., and distributed by Open Road Films, LLC in North America. The movie is produced by Paula Wagner, an experienced Hollywood producer, and starring Chadwick Boseman, the leading actor of “Black Panther”, and Sterling K. Brown, an Emmy Award winner and the leading actor of “This Is Us”. The movie was nominated for Oscar Best Original Song (theme song: Stand Up For Something) and received Top Ten Films of African American Film Critics Association Awards, Audience Choice Award of Chicago International Film Festival, Annual Song Award of Hollywood Film Awards, Best Original Song Award of Annual Satellite Awards as well as 18 other internationally renowned awards nominations.

My Robot Boyfriend

My Robot Boyfriend, an urban love sci-fi comedy directed by Lai Chun Tsang and starring Chao Jiang and Xiaotong Mao, which has been firstly broadcasted on Zhejiang Satellite TV on 21 October 2019 with concurrently releasing on Tencent Video and Mango TV.

PROJECTS INCUBATING BY FILM DIRECTORS

With the commitment in further diversifying and enhancing the entertainment business of the Group so as to broaden the income sources, the Group has engaged 8 film directors.

James Wan, Roland Emmerich, Jon M. Chu, Robert Zemeckis, Alan Taylor, Jonathan Liebesman, F. Gary Gray, Sylvester Stallone, Nattawut Poonpiriya and Sam Raimi in relation to the development and production of motion picture projects, which enable the Group to tap into the business of film production and distribution. Reference may be made to the Company's announcement dated 20 March 2020 for details of the profile of some of the projects under development. With respect to those projects that have not been completed prior to the terminations or expirations of the development agreements, the Company and those directors will continue to collaborate on the development of those projects.

During the year ended 31 December 2021, the Group's revenue generated from media and culture business amounted to approximately HK\$145.3 million (2020: approximately HK\$47.8 million), with a gross loss of approximately HK\$14.2 million (2020: approximately HK\$28.2 million).

Since the year of 2019, the media business of the Group has been affected by the COVID-19 pandemic which has spread all over the world. Business activities slowed down and some of the film and TV drama projects currently being developed by the Group have been postponed.

Delays in distribution, settlement as well as receipt of income of TV drama and film investments of the Company significantly and negatively affected the future cash flow projections regarding these investments, which in turn reduced the amount of revenue recognized during the year. The recorded gross loss was therefore mainly attributable to the amount of amortization recognized exceeded the revenue recognized from these investments.

Entertainment and Gaming

As this segment was no longer revenue or profit generating to the Group, and the management decided to allocate more resources to media and culture segment, this segment's business was ceased in February 2020 and the underlying companies of this segment were either dissolved or disposed of during February 2021.

FINANCIAL REVIEW

The Group reported an unaudited loss attributable to owners of the Company of approximately HK\$118,666,000 for the year ended 31 December 2021 (2020: approximately HK\$162,275,000).

The Board considers that the continued losses incurred by the Group were mainly attributable to the gross losses recorded.

Basic loss per share (unaudited) for the year amounted to approximately 14.41 HK cents (2020: approximately 19.70 HK cents). Net assets (unaudited) of the Group were approximately HK\$67,294,000 (2020: approximately HK\$176,575,000).

FUTURE PLANS AND PROSPECTS

The management will continue to allocate more resources to media and culture segment which are the Group's major growth drivers.

With an aim to safeguard a higher shareholder's return, the Group is in the process of reviewing the future prospect and development of its other business segments, and at the same time exploring new business opportunities and making more efforts to explore market opportunities in Mainland China.

MATERIAL ACQUISITION AND DISPOSAL

There is no material acquisition and disposal conducted by the Group during the year that should be notified to the shareholders of the Company.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (31 December 2020: NIL).

CAPITAL STRUCTURE

As at 31 December 2021, the Company's equity attributable to its owners was approximately HK\$68,313,000 (2020: approximately HK\$202,548,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cash flow, interest-bearing bank and other borrowing amount due to a holding company, and through issuance of promissory notes and convertible bonds.

Prudent financial management and selective investment criteria have enabled the Group to maintain a stable financial position. As at 31 December 2021, the Group's bank balances and cash amounted to approximately HK\$156,991,000 (2020: HK\$142,837,000).

As at 31 December 2021, the current ratio was approximately 0.63 (2020: approximately 2.03) based on current assets of approximately HK\$513,619,000 (2020: HK\$1,012,292,000) and current liabilities of approximately HK\$816,199,000 (2020: HK\$497,876,000).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong dollars, Renminbi and U.S. dollars which have been relatively stable during the year. The Group was not exposed to material foreign exchange risk and has not employed any financial instruments for hedging purposes.

EMPLOYEES AND REMUNERATION POLICIES

The Group employed 22 (2020: 27) employees as at 31 December 2021. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Employees may also be invited to participate in the share option scheme of the Group.

EVENTS AFTER THE REPORTING PERIOD

There is no major event after the reporting period that should be notified to the shareholders of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that the Company has complied with all applicable provisions of the Corporate Governance Code contained in Appendix 14 (the “**Code**”) of the Listing Rules throughout the year ended 31 December 2021 except for deviations as stated below:

Code Provision A.6.7

Under code provision C.1.6, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged commitments, three of the independent non-executive directors were unable to attend the Company’s annual general meeting held on 23 June 2021.

Code Provision E.1.2

Under code provision F.2.2, chairman of the board should attend the annual general meeting. Due to other pre-arranged commitments, the then chairman of the Board was unable to attend the Company’s annual general meeting held on 23 June 2021.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2021.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to delay in provision of information and documents as well as related accounting procedures as a result of insufficiency of human resources of the Group affected by COVID-19 and local lockdown arrangements. The unaudited results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

AUDIT COMMITTEE

As required by Rule 3.21 of the Listing Rules, the Company has established an Audit Committee with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process, risk management and internal control systems. The Audit Committee has discussed with the external auditor of the Company, Ernst & Young on the accounting principles and practices adopted by the Group and the unaudited consolidated results of the Group for the year ended 31 December 2021 during the review process.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF RESULTS AND ANNUAL REPORT

The results announcement is available for reviewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Companies Information" and the website of the Company at www.starlightcul.com.hk. The annual report will be dispatched to the shareholders and will also be available on these websites.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, business partners, bankers and other business associates for their trust and support.

The financial information of the Group for the year ended 31 December 2021 contained herein in respect of the annual results of the Group for the year ended 31 December 2021 have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Starlight Culture Entertainment Group Limited
Mr. Tang Liang
Chairman

Hong Kong, 31 March 2022

As at the date of this announcement, the Board comprises six executive directors, namely Mr. Tang Liang, Mr. Chau Chit, Mr. Luo Lei, Mr. Zhou Jingbo, Mr. Sang Kangqiao, and Ms. Wu Xiaoli; and three independent non-executive directors, namely Mr. Wong Wai Kwan, Mr. Michael Ngai Ming Tak, and Mr. Jing Xufeng.