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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Starlight Culture Entertainment Group Limited (the “Company”) hereby presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
CONTINUING OPERATIONS			
REVENUE	5	37,102	1,384
Cost of sales		<u>(35,007)</u>	<u>(19,768)</u>
Gross profit/(loss)		2,095	(18,384)
Other income and gains		64	2,692
Selling and distribution expenses		(8,208)	–
Administrative expenses		(15,006)	(14,397)
Change in fair value of financial and derivative financial liabilities		(5,988)	(1,054)
Finance costs		(16,315)	(5,830)
Other expenses		<u>(9,891)</u>	<u>(5,506)</u>
(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	6	(53,249)	(42,479)
Income tax credit/(expense)	7	<u>24</u>	<u>–</u>
(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(53,225)	(42,479)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations		<u>–</u>	<u>–</u>
(LOSS) FOR THE PERIOD		<u><u>(53,225)</u></u>	<u><u>(42,479)</u></u>

		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Attributable to:			
Owners of the parent		(53,221)	(42,430)
Non-controlling interests		(4)	(49)
		<u>(53,225)</u>	<u>(42,479)</u>
 (LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	9		
Basic and diluted			
– For loss for the period		<u>HK(6.46) cents</u>	<u>HK(5.15) cents</u>
– For loss for continuing operations		<u>HK(6.46) cents</u>	<u>HK(5.15) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
(LOSS) FOR THE PERIOD	<u>(53,225)</u>	<u>(42,479)</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>(1,319)</u>	<u>2,096</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(1,319)</u>	<u>2,096</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(1,319)</u>	<u>2,096</u>
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD	<u>(54,544)</u>	<u>(40,383)</u>
Attributable to:		
Owners of the parent	<u>(54,533)</u>	<u>(40,333)</u>
Non-controlling interests	<u>(11)</u>	<u>(50)</u>
	<u>(54,544)</u>	<u>(40,383)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,313	1,720
Right-of-use assets		2,832	4,191
Prepayments, other receivables and other assets		307,357	242,250
Investment in film and television programs and program rights		11,774	11,700
		<hr/>	<hr/>
Total non-current assets		323,276	259,861
CURRENT ASSETS			
Trade receivables	10	26,879	33,650
Prepayments, other receivables and other assets		100,179	108,276
Contract assets		26,810	28,451
Investment in film and television programs and program rights		99,261	133,537
Cash and cash equivalents		74,418	157,105
		<hr/>	<hr/>
Total current assets		327,547	461,019
CURRENT LIABILITIES			
Other payables and accruals		184,688	162,502
Contract liabilities		70,691	105,040
Interest-bearing bank and other borrowings and film investment loans		383,431	391,056
Derivative financial liabilities		17,289	16,140
Financial liabilities at fair value through profit or loss		198,194	192,023
Amount due to a major shareholder		1,171	1,227
Lease liabilities		2,333	2,653
Tax payable		37,665	39,266
		<hr/>	<hr/>

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
Notes	HK\$'000	HK\$'000
Total current liabilities	<u>895,462</u>	<u>909,907</u>
NET CURRENT (LIABILITIES)	<u>(567,915)</u>	<u>(448,888)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>(244,639)</u>	<u>(189,027)</u>
NON-CURRENT LIABILITIES		
Lease liabilities	<u>772</u>	<u>1,840</u>
Total non-current liabilities	<u>772</u>	<u>1,840</u>
Net (liabilities)	<u>(245,411)</u>	<u>(190,867)</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	82,356	82,356
Reserves	<u>(326,737)</u>	<u>(272,204)</u>
	(244,381)	(189,848)
Non-controlling interests	<u>(1,030)</u>	<u>(1,019)</u>
Total (deficiency in net assets)	<u>(245,411)</u>	<u>(190,867)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

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 period, 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 30 June 2022, the Company has no controlling shareholder.

* *The English names of the entities registered in the People’s Republic of China (the “PRC”) represent the best efforts made by the management of the Company to translate their Chinese names as these entities do not have official English names.*

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 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 31 December 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

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

None of the above changes in accounting policies has had a material effect on the Group's financial statements.

4. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2022

	Media and culture business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	650,823	650,823
Total assets		650,823
Segment liabilities	(896,234)	(896,234)
Total liabilities		(896,234)

Year ended 31 December 2021

	Media and culture business HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	720,880	<u>720,880</u>
Total assets		<u><u>720,880</u></u>
Segment liabilities	(911,747)	<u>(911,747)</u>
Total liabilities		<u><u>(911,747)</u></u>

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	<u><u>37,102</u></u>	<u><u>1,384</u></u>

Disaggregated revenue information for revenue from contracts with customers

For the six months period ended 30 June 2022

Segments

	Media and culture business (Unaudited) HK\$'000
Types of goods or services	
Revenue from motion pictures	<u>37,102</u>
Total revenue from contracts with customers	<u><u>37,102</u></u>
Geographical markets	
United States of America	<u>37,102</u>
Total revenue from contracts with customers	<u><u>37,102</u></u>
Timing of revenue recognition	
At a point in time	<u>37,102</u>
Total revenue from contracts with customers	<u><u>37,102</u></u>

For the six months period ended 30 June 2021

Segments

	Media and culture business (Unaudited) HK\$'000
Types of goods or services	
Revenue from motion pictures	1,384
	<hr/>
Total revenue from contracts with customers	1,384
	<hr/> <hr/>
Geographical markets	
United States of America	1,384
	<hr/>
Total revenue from contracts with customers	1,384
	<hr/> <hr/>
Timing of revenue recognition	
At a point in time	1,384
	<hr/>
Total revenue from contracts with customers	1,384
	<hr/> <hr/>

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of sales*	35,007	19,768
Amortisation of investment in film and television programs and program rights*	35,007	19,768
Depreciation of property, plant and equipment	434	387
Depreciation of right-of-use assets	1,359	1,293
Exchange differences, net	1,979	(763)
	<u>35,007</u>	<u>19,768</u>

* Amortisation of investment in films and television programs and program rights are included in "Cost of sales" in the consolidated statement of profit or loss.

7. INCOME TAX (CREDIT) EXPENSE

No provision for Hong Kong profits tax was made as the Group did not generate any assessable profits in Hong Kong during each of the period ended 30 June 2022 and 2021. 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 each of the periods ended 30 June 2022 and 2021. 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 each of the periods ended 30 June 2022 and 2021.

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – USA	(24)	–
Deferred	–	–
	<u>–</u>	<u>–</u>
Total tax (credit)/charge for the period from continuing operations	<u>(24)</u>	<u>–</u>

8. DIVIDENDS

No interim dividend has been paid or declared during each of the periods ended 30 June 2022 and 2021. The board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. (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 period attributable to ordinary equity holders of the parent of HK\$53,221,000 (30 June 2021: HK\$42,430,000), and the weighted average number of ordinary shares of 823,564,799 (30 June 2021: 823,564,799) in issue during the period, as adjusted to reflect the rights issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2022 (30 June 2021: Nil).

10. TRADE RECEIVABLES

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:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 month	–	6,384
Over 3 months	<u>26,879</u>	<u>27,266</u>
	<u>26,879</u>	<u>33,650</u>

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.

Revenue from its media and culture business for the six months period ended 30 June 2022 was approximately HK\$37.1 million, compared with approximately HK\$1.4 million for the corresponding period of 2021. However, with increased expenses and finance costs, the Group reported a net loss attributable to owners of the Company of approximately HK\$53.2 million for the six months period ended 30 June 2022 compared with loss of approximately HK\$42.4 million for the corresponding period of 2021.

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\$418.4 million as at 30 June 2022 (31 December 2021: approximately HK\$387.5 million), 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\$238,532,921.

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 six months ended 30 June 2022, the Group's revenue generated from media and culture business amounted to approximately HK\$37.1 million (six months ended 30 June 2021: HK\$1.4 million), with a gross profit of approximately HK\$2.1 million (six months ended 30 June 2021: gross loss of HK\$18.4 million).

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.

FINANCIAL REVIEW

Revenue from its media and culture business for the six months period ended 30 June 2022 was approximately HK\$37.1 million, compared with approximately HK\$1.4 million for the corresponding period of 2021.

Gross profit for the current period was approximately HK\$2.1 million, compared with gross loss of approximately HK\$18.4 million for the corresponding period of 2021.

However, with increased expenses and finance costs, the Group reported a net loss attributable to owners of the Company of approximately HK\$53.2 million for the six months period ended 30 June 2022 compared with loss of approximately HK\$42.4 million for the corresponding period of 2021.

Basic loss per share for the six months period ended 30 June 2022 amounted to approximately 6.46 HK cents (six months period ended 30 June 2021: approximately 5.15HK cents).

Net liabilities of the Group as at 30 June 2022 were approximately HK\$245,411,000 (as at 31 December 2021: approximately HK\$190,867,000).

FUTURE PLANS AND PROSPECTS

Reference was made to the sections of “Disclaimer of Opinion”, “Basis for disclaimer of opinion” and “The Board’s response to the Auditor’s Opinion” in the 2021 annual report of the Company. Regarding the Disclaimer of Opinion, the Company will continue to strive to improve its operating results and financial position and provide further information and communicate with the Company’s auditors from time to time for their assessment of the going concern assumption for subsequent financial reporting periods.

While the management would strive to recover the trade receivables to further improve its financial position, and procure the possible loan or equity finance where necessary and in due course, the Company will continue to allocate more resources to media and culture segment (e.g. film and TV series investment and production) 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 period that should be notified to the shareholders of the Company.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

CAPITAL STRUCTURE

As at 30 June 2022, the Company's capital deficiency was approximately HK\$244,381,000 (31 December 2021: approximately HK\$189,848,000).

LOSS ALLOWANCES OF TRADE RECEIVABLES

The loss allowances on trade receivables amounted to approximately HK\$80.9 million as at 30 June 2022 (31 December 2021: approximately HK\$80.9 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cash flow, interest-bearing bank and other borrowing and amount due to a shareholder.

The Company believes that its shareholders will continue to provide financial support to the Group where necessary and in due course.

As at 30 June 2022, the Group's bank balances and cash amounted to approximately HK\$74,418,000 (31 December 2021: approximately HK\$157,105,000).

As at 30 June 2022, the current ratio was approximately 0.37 (31 December 2021: approximately 0.51) based on current assets of approximately HK\$327,547,000 (31 December 2021: HK\$461,019,000) and current liabilities of approximately HK\$895,462,000 (31 December 2021: HK\$909,907,000).

Reference should also be made to the "going concern assumption" in note 2.1 to the consolidated financial statements for the year ended 31 December 2021 in the 2021 annual report of the Company.

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 period. 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 21 (31 December 2021: 22) employees as at 30 June 2022. 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.

CORPORATE GOVERNANCE

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 period ended 30 June 2022 except for deviations as stated below:

Code Provision C.1.6

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, one of the independent non-executive directors were unable to attend the Company's annual general meeting held on 3 August 2022.

Code Provision F.2.2

Under code provision F.2.2, chairman of the board should attend the annual general meeting. Due to other pre-arranged commitments, the chairman of the Board was unable to attend the Company's annual general meeting held on 3 August 2022.

The Company has adopted the Model Code as the Company's code of conduct regarding securities transactions by Directors. The Company has made specific enquiries of all the Directors, who confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2022.

AUDIT COMMITTEE

The audit committee, comprising all the three independent non-executive Directors, has discussed with the management of the Company the accounting principles and practices adopted by the Group and reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2022, and is of the opinion that the preparation of the condensed consolidated financial statements has complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

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

During the six months period ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website (www.starlightcul.com.hk) and the Stock Exchange's website (<http://www.hkexnews.hk>). The 2022 Interim Report containing all the information required by the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

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.

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

Hong Kong, 31 August 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.