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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)

**(1) ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023;
(2) RETIREMENT AND RE-ELECTION OF DIRECTORS;
AND
(3) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR**

Our Board hereby announces the audited consolidated results of our Company, its subsidiaries and consolidated affiliated entities (collectively referred to as our “**Group**”) for the year ended December 31, 2023 (the “**Reporting Period**”) together with the comparative figures for the year ended December 31, 2022. These annual results have been reviewed by our Board’s audit committee together with our management.

	Year ended December 31,		Change
	2023	2022	
	<i>(RMB in millions, except percentages)</i>		
Revenue	426.6	873.4	(51.2)%
Gross (loss)/profit	(59.4)	281.1	N/A
(Loss)/profit before tax	(1,601.4)	104.4	N/A
(Loss)/profit for the year	(1,634.2)	84.6	N/A
Non-IFRS measures:			
Adjusted net (loss)/profit	(1,634.2)	120.8	N/A
Adjusted net (loss)/profit margin	(383.1)%	13.8%	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Revenue	<i>4</i>	426,567	873,425
Cost of sales		<u>(485,918)</u>	<u>(592,352)</u>
Gross (loss)/profit		<u>(59,351)</u>	<u>281,073</u>
Other income and gains		25,296	27,549
Selling and distribution expenses		(21,872)	(25,341)
Administrative expenses		(120,489)	(146,735)
Impairment of goodwill		(1,191,617)	–
Impairment losses on financial assets, net		(167,746)	(24,640)
Other expenses		(3,847)	(1,400)
Changes in fair value of financial assets at fair value through profit or loss		(12,093)	3,874
Finance costs		(2,602)	(2,858)
Share of losses of:			
Joint ventures		(41,085)	(938)
Associates		<u>(5,966)</u>	<u>(6,233)</u>
(LOSS)/PROFIT BEFORE TAX	<i>5</i>	(1,601,372)	104,351
Income tax expense	<i>6</i>	<u>(32,854)</u>	<u>(19,794)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(1,634,226)</u>	<u>84,557</u>
Attributable to:			
Owners of the parent		(1,604,634)	86,918
Non-controlling interests		<u>(29,592)</u>	<u>(2,361)</u>
		<u>(1,634,226)</u>	<u>84,557</u>
(LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT			
Basic and diluted (RMB)	<i>8</i>	<u>(4.18)</u>	<u>0.23</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
(LOSS)/PROFIT FOR THE YEAR	<u>(1,634,226)</u>	<u>84,557</u>
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>16,839</u>	<u>42,806</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>16,839</u>	<u>42,806</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>16,839</u>	<u>42,806</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(1,617,387)</u>	<u>127,363</u>
Attributable to:		
Owners of the parent	<u>(1,587,795)</u>	<u>129,724</u>
Non-controlling interests	<u>(29,592)</u>	<u>(2,361)</u>
	<u>(1,617,387)</u>	<u>127,363</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	December 31, 2023 RMB'000	December 31, 2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		197,522	172,388
Other intangible assets		139,269	161,960
Right-of-use assets		104,675	111,346
Goodwill		301,343	1,488,335
Investments in joint ventures		360,951	402,036
Investments in associates		612,901	617,867
Financial assets at fair value through profit or loss		55,277	26,744
Restricted deposits		69,535	62,318
Deferred tax assets		31,510	60,165
Prepayments, other receivables and other assets		19,131	15,709
		<u>1,892,114</u>	<u>3,118,868</u>
Total non-current assets		1,892,114	3,118,868
CURRENT ASSETS			
Inventories		21	21
Program copyrights		224	110,135
Trade and bills receivables	9	220,792	625,956
Prepayments, other receivables and other assets		260,895	101,216
Due from related parties	12	487,957	453,645
Cash and cash equivalents		353,878	587,590
		<u>1,323,767</u>	<u>1,878,563</u>
Total current assets		1,323,767	1,878,563
CURRENT LIABILITIES			
Trade payables	10	177,366	253,252
Other payables and accruals		106,311	186,673
Tax payable		35,050	40,636
Lease liabilities		5,659	7,892
		<u>324,386</u>	<u>488,453</u>
Total current liabilities		324,386	488,453
NET CURRENT ASSETS		<u>999,381</u>	<u>1,390,110</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,891,495</u>	<u>4,508,978</u>

	December 31, 2023 RMB'000	December 31, 2022 RMB'000
NON-CURRENT LIABILITIES		
Lease liabilities	6,315	7,670
Deferred tax liabilities	3,898	3,841
Other payables and accruals	11,099	19,175
	<hr/>	<hr/>
Total non-current liabilities	21,312	30,686
	<hr/>	<hr/>
Net assets	2,870,183	4,478,292
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	3	3
Reserves	2,880,192	4,458,994
	<hr/>	<hr/>
	2,880,195	4,458,997
	<hr/>	<hr/>
Non-controlling interests	(10,012)	19,295
	<hr/>	<hr/>
Total equity	2,870,183	4,478,292
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NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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

In the opinion of the directors of the Company (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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	<i>Insurance Contracts</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>

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback¹</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)¹</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)¹</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements¹</i>
Amendments to IAS 21	<i>Lack of Exchangeability²</i>

¹ Effective for annual periods beginning on or after January 1, 2024

² Effective for annual periods beginning on or after January 1, 2025

³ No mandatory effective date yet determined but available for adoption

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of the Group’s operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
Chinese Mainland	365,663	812,375
Other regions	60,904	61,050
Total revenue	426,567	873,425

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

(b) Non-current assets

	2023 RMB'000	2022 <i>RMB'000</i>
Chinese Mainland	1,304,318	2,541,462
Other regions	431,474	428,179
Total non-current assets	1,735,792	2,969,641

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

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the years ended December 31, 2023 and 2022 is set out below:

	2023 RMB'000	2022 <i>RMB'000</i>
Customer 1*	112,641	87,633
Customer 2*	84,051	311,455
Customer 3*	NA**	133,458

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

** The corresponding revenue of this customer is not disclosed as the revenue did not individually account for 10% or more of the Group's revenue for the year ended December 31, 2023.

4. REVENUE

An analysis of revenue is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers	<u>426,567</u>	<u>873,425</u>
Revenue from contracts with customers		
(i) Disaggregated revenue information		
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Types of goods or services		
Variety program IP production, operation and licensing	161,394	702,363
Music IP operation and licensing	30,608	63,653
Drama series and film IP operation and licensing	151,663	58,701
Other IP-related business	<u>82,902</u>	<u>48,708</u>
Total revenue from contracts with customers	<u>426,567</u>	<u>873,425</u>
Geographical markets		
Chinese Mainland	365,663	812,375
Other regions	<u>60,904</u>	<u>61,050</u>
Total revenue from contracts with customers	<u>426,567</u>	<u>873,425</u>
Timing of revenue recognition		
Transferred at a point in time	252,701	632,216
Transferred over time	<u>173,866</u>	<u>241,209</u>
Total revenue from contracts with customers	<u>426,567</u>	<u>873,425</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in the contract liabilities at the beginning of the reporting period:		
Variety program IP production, operation and licensing	1,960	3,027
Music IP operation and licensing	3,761	538
Drama series and film IP operation and licensing	69,772	2,276
Other IP-related business	3,105	2,884
	<hr/>	<hr/>
Total	78,598	8,725
	<hr/> <hr/>	<hr/> <hr/>

(ii) Performance obligations

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

Variety program IP production, operation and licensing

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

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

Music IP operation and licensing

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

Drama series and film IP operation and licensing

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

Other IP-related business

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	23,169	73,107
After one year	40,257	18,266
	<hr/>	<hr/>
Total	63,426	91,373
	<hr/> <hr/>	<hr/> <hr/>

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

5. (LOSS)/PROFIT BEFORE TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of variety program IP production, operation and licensing	275,050	538,029
Cost of music IP operation and licensing	29,121	16,419
Cost of drama series and films IP operation and licensing	107,550	10,340
Cost of other IP related business	74,197	27,564
Impairment losses on trade receivables, net	136,945	24,071
Listing expenses	–	36,235
Impairment of goodwill	1,191,617	–
	<hr/> <hr/>	<hr/> <hr/>

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 year.

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 year.

The provision for current income tax in Chinese Mainland 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.

Canxing Culture is qualified as High and New Technology Enterprises and was entitled to a preferential income tax rate of 15% (2022: 15%) during the year, which will expire on December 12, 2026.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current – Charge for the year	3,971	19,428
Deferred tax	28,883	366
Total tax charge for the year	<u>32,854</u>	<u>19,794</u>

7. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation and up to December 31, 2023 (2022: Nil). The Board does not recommend the payment of a final dividend for the year ended December 31, 2023 (2022: Nil).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 383,906,474 (2022: 383,520,850) in issue during the year, as adjusted to reflect the rights issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2023 and 2022.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings		
(Loss)/earnings attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>(1,604,634)</u>	<u>86,918</u>
	Number of Shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year	<u>383,906,474</u>	<u>383,520,850</u>

9. TRADE AND BILLS RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	524,573	796,740
Bills receivable	<u>–</u>	<u>11,000</u>
	524,573	807,740
Less: Impairment of trade receivables	<u>(303,781)</u>	<u>(181,784)</u>
Net carrying amount	<u>220,792</u>	<u>625,956</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days depending on the specific payment terms in each contract. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	95,533	330,921
3 to 6 months	20,073	60,009
6 to 12 months	16,380	19,122
1 to 2 years	52,794	153,905
2 to 3 years	31,184	28,996
Over 3 years	4,828	22,003
Total	220,792	614,956

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At beginning of year	181,784	164,126
Impairment losses	136,945	24,071
Amounts written off as uncollectible	(15,000)	(6,683)
Exchange realignment	52	270
At end of year	303,781	181,784

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	115,876	191,468
1 to 2 years	39,062	40,689
2 to 3 years	11,054	4,288
Over 3 years	11,374	16,807
Total	177,366	253,252

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

11 CONTINGENT LIABILITIES

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

For the year ended December 31, 2023

	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
Entity A**	–	1,435	–	–	1,435
Entity B***	–	1,663	–	–	1,663
Others	440	1,029	–	(300)	1,169
	<u>12,340</u>	<u>4,127</u>	<u>–</u>	<u>(300)</u>	<u>16,167</u>

For the year ended December 31, 2022

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

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

** Entity A claimed that one of the Group’s subsidiaries should reimburse Entity A’s expenses occurred for and revenue sharing from the music copyright protection activities amounting to RMB3,038,000. The Directors, based on the advice from the Group’s legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have only provided RMB1,435,000 arising from the litigation based on their best estimation as at 31 December 2023.

*** Entity B claimed that one of the Group’s subsidiaries should pay Entity B’s expenses occurred for and ticket fee sharing from holding a music festival amounting to RMB7,981,000. The Directors, based on the advice from the Group’s legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have only provided RMB1,663,000 arising from the litigation based on their best estimation as at 31 December 2023.

Time deposits of RMB54,074,000 have been frozen by court.

For the year ended December 31, 2023, a subsidiary of the Group was still a defendant in a lawsuit brought by one party alleging that the subsidiary should pay the remuneration for its artistes' performances in the variety programs. The amount claimed is RMB16,500,000. The Directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation.

For the year ended December 31, 2023, a subsidiary of the Group was a defendant in a lawsuit brought by one party alleging that the subsidiary should pay the compensation for the losses and the miscellaneous expenses with the total amount of RMB1,000,000 caused by the subsidiary breaching the agreement between the party and the subsidiary. The Directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation.

12. DUE FROM RELATED PARTIES

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Due from related parties (non-trade):			
Mengxiang Qi'an	<i>(i)</i>	222,230	202,482
Shanghai Binqiao Enterprise management Co., Ltd. ("Shanghai Binqiao")	<i>(ii)</i>	265,227	251,163
Shanghai Xingkongshui'an Enterprise Development Co., Ltd. ("SH Xingkongshui'an")	<i>(iii)</i>	500	–
Total		487,957	453,645

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. The remaining loans to Shanghai Binqiao of RMB13,444,000 and RMB352,000 bear interest at the rate of 6% per annum as of December 31, 2022 and December 31, 2023, respectively.
- (iii) The loan to SH Xingkongshui'an of RMB500,000 were unsecured, interest-free and repayable on demand.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the draft independent auditor’s report on the Group’s consolidated statements for the year ended December 31, 2023.

Qualified opinion

In our opinion, except for the effects of the matters described in the “Basis for qualified opinion” section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

As disclosed in note 16 to the financial statements, the Group recognised in profit or loss for the year ended December 31, 2023 an impairment loss of RMB1,191,617,000 against the goodwill allocated to Mengxiang Qiangyin Culture Broadcast (Shanghai) Company Ltd. cash-generating unit (“MXQY unit”). The impairment loss represented approximately 60% of the initially recorded goodwill. The directors projected a substantial decrease in the cash flow from the MXQY unit based on the underlying assumption of a significant shrinkage in MXQY’s future music copyright licensing and other related businesses, due to the suspension of the broadcasting of one of the Group’s headline variety program in August 2023. However, the suspension and its related consequential impact to the MXQY unit was unprecedented, and accordingly, there is a lack of reliable audit evidence available to support management’s underlying assumptions used in its future cash flow projections of the MXQY unit’s business. We have not been able to satisfy ourselves as to whether the recoverable amount of the goodwill in the MXQY unit determined by the directors of the Company against the respective carrying amount as at December 31, 2023 contained material misstatements as the basis and key assumptions adopted by the directors of the Company for the impairment assessments of the recoverable amount of the MXQY unit as at December 31, 2023 were highly uncertain. There were no alternative procedures that are available for us to satisfy ourselves with respect to the goodwill impairment loss recognized by the Group. Any adjustments to the figure as described above might have a consequential effect on the financial position of the Group as at December 31, 2023, consolidated statement of profit or loss of the Group for the year ended December 31, 2023 and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Business Analysis by Business Line

(i) Variety Program IP Production, Operation and Licensing

During the Reporting Period, our Group successfully produced and broadcasted a total of five variety programs, comprising (i) Remember Me (百川樂時空), (ii) Great Dance Crew 2023 (了不起！舞社 2023), (iii) Sing! China 2023 (中國好聲音 2023), (iv) Street Dance of China 2023 (這就是街舞 2023) and (v) Asia Super Young 2023 (亞洲超星團).

“Sing! China 2023” was suspended after four episodes were broadcasted during the Reporting Period. Our affiliated production company, Canxing Culture, fully supported and cooperated in the investigations, and implemented corresponding rectification measures. In response to the false and untrue rumors fabricated and circulated on the Internet and the media, Canxing Culture has taken legal action to protect our legitimate rights and interests.

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

(ii) Music IP Operation and Licensing

As of December 31, 2023, our Group had a music library of 9,361 IPs, consisting of 3,765 live music recordings we produced during the creation of our music variety programs, 3,495 songs we produced for our managed artists, and 2,101 lyrics and music compositions licensed and acquired.

(iii) Film and Drama Series IP Operation and Licensing

At its disposal, our Group has taken the opportunity of our extensive film library, experienced in-house professional teams and long-term cooperative relationships with media platforms, actively making inroads into the fields of film licensing and drama series production and licencing. As of December 31, 2023, our Group owns and operates a large library consisting of 757 Chinese film IPs and one drama series “Reading Class (閱讀課)” produced by our Group.

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

(iv) Other IP-related Business

Our Group's other IP-related business primarily includes (i) artist management; (ii) concert organization and production; (iii) art education and training; (iv) mobile apps; (v) consumer products; and (vi) themed attractions. As of December 31, 2023, we had a total number of 107 managed artists.

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.

We firmly believes that the development of the cultural and entertainment industry in China has a bright future. We also firmly believes that with our years of experience in this industry and a large team of elites in the industry gathered by our Group, we will continue to rise and produce highly popular variety shows in the entertainment field that are deeply loved by the audience.

Our Group's library of more than 700 films has been distributed globally over the years, maintaining a relatively stable market and sales. In addition, we are also actively expanding our presence in the fields of short drama and short-form video, and will explore the integration of the short-form video field with e-commerce, and the short-form video field with the content industry and social networking. At the same time, we are also paying close attention to the in-depth application of AIGC technology in the cultural and entertainment field in order to reduce costs and improve user experience.

FINANCIAL REVIEW

Overview

For the year ended December 31, 2023, we recorded a revenue of RMB426.6 million and a gross loss of RMB59.4 million. Our net loss amounted to RMB1,634.2 million in 2023 as compared with a net profit of RMB84.6 million in 2022. Our adjusted net loss in 2023 was RMB1,634.2 million as compared with an adjusted net profit of RMB120.8 million in 2022. The turnaround from net profit to net loss was mainly because (i) we expect a significant decline in music copyright licensing, offline activities and other businesses of our Group in the future and an impairment of goodwill of approximately RMB1,191.6 million was recorded for the year ended December 31, 2023; (ii) some of our variety programs incurred losses or experienced delays; and (iii) program copyrights of our drama series were impaired due to aging.

Revenue by Business Segment

During the years ended December 31, 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 in 2023 and 2022, accounting for approximately 37.8% and 80.4%, respectively. The table below sets forth a breakdown of our revenues by business segments for the years ended December 31, 2023 and 2022:

	For the year ended December 31, 2023 2022 (RMB in millions)	
Variety program IP production, operation and licensing	161.4	702.4
Music IP operation and licensing	30.6	63.6
Film and drama series IP operation and licensing	151.7	58.7
Other IP-related business	82.9	48.7
Total	426.6	873.4

(i) Variety Program IP Production, Operation and Licensing

Our revenue generated from variety program IP production, operation and licensing consists primarily of (i) revenue from advertising sales; (ii) commission received from producing variety programs; (iii) licensing fees received from licensing the broadcasting rights of our variety programs; and (iv) licensing fees received from licensing the right to host offline entertainment events. The following table sets forth a breakdown of our revenue from variety program IP production, operation and licensing by nature during the years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
	<i>(RMB in millions)</i>	
Advertising sales	50.4	485.7
Commissioned programs	79.8	145.3
Licensing of broadcasting rights	10.4	45.9
Licensing of offline entertainment events	20.8	25.5
Total	161.4	702.4

Our Group's revenue generated from variety program IP production, operation and licensing decreased by 77.0% from RMB702.4 million for the year ended December 31, 2022 to RMB161.4 million for the year ended December 31, 2023, primarily due to (i) the fact that, instead of the originally planned 13 episodes, only four episodes of "Sing! China 2023" were broadcasted during the Reporting Period; (ii) the transition of revenue generation model of "Street Dance of China 2023" from revenue sharing model to commissioned production model, resulting in a decrease in revenue; and (iii) delays and undetermined schedules for some of our programs originally expected to be released in 2023.

(ii) Music IP Operation and Licensing

Our revenue generated from music IP operation and licensing consists primarily of the royalties or licensing fees received from licensing the music IPs we produced to music service providers such as (i) online music platforms; (ii) media companies and (iii) karaoke operators. Revenue generated from music IP operation and licensing decreased by 51.9% from approximately RMB63.6 million in 2022 to approximately RMB30.6 million in 2023. The decrease was primarily due to (i) the decrease in revenue from re-licensing of the old songs of our Group's music library; and (ii) the decrease in revenue from licensing of our Group's music library to karaoke operators.

(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 158.4% from approximately RMB58.7 million in 2022 to approximately RMB151.7 million in 2023, primarily because we recognized revenue in 2023 from a multi-year film IP licensing contract that we entered into with a leading short video platform in China in 2020.

(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 70.2% from approximately RMB48.7 million in 2022 to approximately RMB82.9 million in 2023, primarily due to the increase in revenue generated from our artist management business and concerts we organized 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 years ended December 31, 2023 and 2022:

	For the year ended	
	December 31,	
	2023	2022
	<i>(RMB in millions)</i>	
Variety program IP production, operation and licensing	275.1	538.0
Music IP operation and licensing	29.1	16.4
Film and drama series IP operation and licensing	107.6	10.3
Other IP-related business	74.2	27.6
Total	<u>486.0</u>	<u>592.3</u>

(i) Variety Program IP Production, Operation and Licensing

Cost of sales associated with variety program IP production, operation and licensing decreased by 48.9% from RMB538.0 million in 2022 to RMB275.1 million in 2023, primarily due to a reduction in the number of variety programs we produced in 2023 as compared to 2022, which is in line with a decrease in revenue generated from the variety program IP production, operation and licensing.

(ii) Music IP Operation and Licensing

Cost of sales associated with music IP operation and licensing increased by 77.4% from RMB16.4 million in 2022 to RMB29.1 million in 2023, primarily due to an increase in costs incurred in connection with the re-licensing of the old songs of our Group's music library as compared to 2022.

(iii) Film and Drama Series IP Operation and Licensing

Cost of sales associated with film and drama series IP operation and licensing increased by 944.7% from RMB10.3 million in 2022 to RMB107.6 million in 2023, primarily due to the impairment of program copyrights of our drama series due to aging.

(iv) Other IP-related Business

Cost of sales associated with other IP-related business increased by 168.8% from RMB27.6 million in 2022 to RMB74.2 million in 2023, primarily due to an increase in the number of commercial performances and concerts in 2023 as compared to 2022, which was in line with an increase in revenue generated from other IP-related business.

Gross (Loss)/Profit and Gross (Loss)/Profit Margin

The following table sets forth our gross (loss)/profit and gross (loss)/profit margin by each business segment for the years ended December 31, 2023 and 2022:

	For the year ended December 31,			
	2023		2022	
	Gross (Loss)/ Profit	Gross (Loss)/ Profit Margin (%)	Gross Profit	Gross Profit Margin (%)
Variety program IP production, operation and licensing	(113.7)	(70.4)%	164.4	23.4%
Music IP operation and licensing	1.5	4.9%	47.2	74.2%
Film and drama series IP operation and licensing	44.1	29.1%	48.4	82.5%
Other IP-related business	8.7	10.5%	21.1	43.3%
Total	(59.4)	(13.9)%	281.1	32.2%

As a result of the foregoing, our gross profit decreased from RMB281.1 million in 2022 to a gross loss of RMB59.4 million in 2023.

(i) Variety Program IP Production, Operation and Licensing

Our gross profit for variety program IP production, operation and licensing decreased from RMB164.4 million in 2022 to a gross loss of RMB113.7 million in 2023. We recorded a gross loss margin of 70.4% in 2023 as compared to a gross profit margin of 23.4% in 2022, primarily due to (i) the fact that, instead of the originally planned 13 episodes, only four episodes of “Sing! China 2023” were broadcasted during the Reporting Period; (ii) the transition of revenue generation model of “Street Dance of China 2023” from revenue sharing model to commissioned production model, resulting in a decrease in revenue; and (iii) delays and undetermined schedules for some of our programs originally expected to be released in 2023.

(ii) Music IP Operation and Licensing

As a result of the foregoing, our gross profit for music IP operation and licensing decreased by 96.8% from RMB47.2 million in 2022 to RMB1.5 million in 2023. Our gross profit margin for music IP operation and licensing also decreased from 74.2% in 2022 to 4.9% in 2023, primarily due to (i) the decrease in revenue generated from the re-licensing of our Group’s music library and the licensing of our Group’s music library to karaoke operators; and (ii) 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 year ended December 31, 2023.

(iii) Film and Drama Series IP Operation and Licensing

As a result of the foregoing, our gross profit from film and drama series IP operation and licensing decreased by 8.9% from RMB48.4 million in 2022 to RMB44.1 million in 2023. Our gross profit margin also decreased from 82.5% in 2022 to 29.1% in 2023, primarily because program copyrights of our drama series were impaired due to aging, which was partially offset by an increase in licensing revenue in 2023 from a multi-year film IP licensing contract we entered into with a leading short video platform in China in 2020.

(iv) Other IP-related Business

As a result of the foregoing, our gross profit for other IP-related business decreased by 58.8% from RMB21.1 million in 2022 to RMB8.7 million in 2023. Our gross profit margin decreased from 43.3% in 2022 to 10.5% in 2023. The decrease was primarily due to (i) the decrease in gross profit margin of some artist commercial activities in 2023; and (ii) the fact that we incurred costs for some new offline business expansion.

Other Incomes and Gains

Our other incomes and gains decreased by 8.0% from RMB27.5 million in 2022 to RMB25.3 million in 2023, primarily due to a decrease in government subsidies that our Group received in 2023 compared to 2022, which was partially offset by an increase in interest income.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 13.4% from RMB25.3 million in 2022 to RMB21.9 million in 2023, primarily due to a decrease in staff costs resulting from the reduction in the number of our sales staff.

Administrative Expenses

Our administrative expenses decreased by 17.9% from RMB146.7 million in 2022 to RMB120.5 million in 2023, primarily because (i) we incurred no listing expenses in 2023; and (ii) we recorded a decrease in research and development expenses. The reductions were partially offset by an increase in professional service fees and expenses required for our Group's operations subsequent to the Listing.

Impairment of Goodwill

Our Group recorded impairment loss on goodwill of RMB1,191.6 million in 2023 as compared with no impairment loss on goodwill in 2022 due to an expected significant decline in music copyright licensing, offline activities and other businesses of our Group in the future.

Impairment Losses on Financial Assets

We recorded impairment losses on financial assets of RMB167.7 million in 2023 (2022: RMB24.6 million), primarily due to the significant increase in credit risk for certain customers based on our assessment during the Reporting Period.

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

We recorded a loss in changes in fair value of financial assets at fair value through profit or loss of RMB12.1 million in 2023 while recording a gain in changes in fair value of financial assets at fair value through profit or loss of RMB3.9 million in 2022, primarily due to the fluctuations in the stock prices of listed companies in which we invested.

Other Expenses

Our other expenses increased by 171.4% from RMB1.4 million in 2022 to RMB3.8 million in 2023, primarily due to an increase in our foreign exchange losses.

Finance Costs

Our finance costs was relatively stable at RMB2.9 million and RMB2.6 million in 2022 and 2023, respectively.

Share of Profits and Losses of Joint Ventures and Associates

Our share of losses of joint ventures increased from RMB0.9 million in 2022 to RMB41.1 million in 2023, primarily because of an increase in loss in connection with the investment in Mengxiang Qi'an following the completion of a construction in progress of Mengxiang Qi'an which started to recognize depreciation in 2023. Our share of losses from associates was relatively stable at RMB6.2 million in 2022 and RMB6.0 million in 2023.

Income Tax Expenses

Our income tax expenses increased by 65.7% from RMB19.8 million in 2022 to RMB32.8 million in 2023, primarily due to the derecognition of deferred tax assets arising from losses incurred during the Reporting Period.

(Loss)/Profit for the Years

As a result of above, we recorded a net loss of RMB1,634.2 million in 2023 as compared with a net profit of RMB84.6 million in 2022 and adjusted net loss (non-IFRS measures) of RMB1,634.2 million in 2023 as compared with a adjusted net profit (non-IFRS measures) of RMB120.8 million in 2022.

Non-IFRS Measure

To supplement our consolidated financial statements which are presented under IFRS, we also use adjusted net (loss)/profit (non-IFRS measures) and adjusted net (loss)/profit margin (non-IFRS measures) as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impact of certain items. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net (loss)/profit (non-IFRS measures) and adjusted net (loss)/profit 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)/profit for the years ended December 31, 2023 and 2022, respectively.

	For the year ended December 31,	
	2023	2022
	<i>(RMB in millions)</i>	
(Loss)/profit for the year	(1,634.2)	84.6
Adjusted for:		
Listing expenses	<u> —</u>	<u> 36.2</u>
Adjusted net (loss)/profit^(a) (non-IFRS measures)	<u> (1,634.2)</u>	<u> 120.8</u>
Adjusted net (loss)/profit margin^(b) (non-IFRS measures)	<u> (383.1)%</u>	<u> 13.8%</u>

Notes:

- (a) Adjusted net (loss)/profit (non-IFRS measures) is defined as (loss)/profit for the year 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 (loss)/profit margin (non-IFRS measures) is defined as adjusted net (loss)/profit (non-IFRS measures) divided by revenue.

FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment amounted to RMB197.5 million as of December 31, 2023, representing an increase of RMB25.1 million or 14.6% 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” (松江星空綜藝影視製作基地).

Goodwill

Our goodwill amounted to RMB301.3 million as of December 31, 2023, representing a decrease of RMB1,187.0 million or 79.8% from RMB1,488.3 million as of December 31, 2022, which was primarily due to an impairment of goodwill of the Mengxiang Qiangyin Culture Broadcast (Shanghai) Company Ltd. (“MXQY”) unit based on an expected significant decline in music copyright licensing, offline activities and other businesses of our Group in the future.

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

	For the year ended December 31,	
	2023	2022
	<i>(RMB in millions)</i>	
MXQY unit	24.0	1,215.6
Fortune Star Media Limited unit	277.3	272.7
	<hr/>	<hr/>
At end of year	301.3	1,488.3
	<hr/> <hr/>	<hr/> <hr/>

Significant Investments

Our investments in associates remained stable at RMB617.9 million and RMB612.9 million as of December 31, 2022 and 2023, respectively. Our investments in joint ventures decreased from RMB402.0 million as of December 31, 2022 to RMB361.0 million as of December 31, 2023, primarily because of an increase in loss in connection with the investment in Mengxiang Qi’an.

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 2023.

Amount Due from Related Parties

Amount due from related parties remained stable at RMB488.0 million and RMB453.6 million as of December 31, 2023 and 2022, respectively.

Other Intangible Assets

Our other intangible assets decreased by RMB22.7 million or 14.0% to RMB139.3 million as of December 31, 2023 from RMB162.0 million as of December 31, 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 RMB55.3 million as of December 31, 2023, representing an increase of RMB28.6 million or 107.1% from RMB26.7 million as of December 31, 2022, which was primarily due to an increase in investment in stocks of listed companies.

Deferred Tax Assets

Our deferred tax assets decreased by RMB28.7 million or 47.7% to RMB31.5 million as of December 31, 2023 from RMB60.2 million as of December 31, 2022, primarily due to the derecognition of deferred tax assets arising from losses incurred during the Reporting Period.

Restricted Cash

Our restricted cash amounted to RMB69.5 million as of December 31, 2023, representing an increase of RMB7.2 million or 11.6% from RMB62.3 million as of December 31, 2022, as a result of an increase in time deposits that had been pledged for litigation.

Program Copyrights

Our program copyrights amounted to RMB0.2 million as of December 31, 2023, representing a decrease of RMB109.9 million or 99.8% from RMB110.1 million as of December 2022, primarily because program copyrights of our drama series were impaired due to aging.

Trade and Bills Receivables

Our trade and bills receivables amounted to RMB220.8 million as of December 31, 2023, representing a decrease of RMB405.2 million or 64.7% from RMB626.0 million as of December 31, 2022, which was in line with the decrease in our revenue.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets amounted to RMB280.0 million as of December 31, 2023, representing an increase of RMB163.1 million or 139.5% from RMB116.9 million as of December 31, 2022, which was primarily due to our purchase of short-term notes, which had been redeemed as of the date of this announcement.

Trade Payables

Our trade payables amounted to RMB177.4 million as of December 31, 2023, representing a decrease of RMB75.9 million or 30.0% from RMB253.3 million as of December 31, 2022, which is in line with the decrease in our cost of sales.

Other Payables and Accruals

Our other payables and accruals amounted to RMB117.4 million as of December 31, 2023, representing a decrease of RMB88.4 million or 43.0% from RMB205.8 million as of December 31, 2022, primarily due to recognition of revenue in 2023 from a multi-year film IP licensing contract that we entered into with a leading short video platform in China in 2020.

Lease Liabilities

Our lease liabilities amounted to RMB12.0 million as of December 31, 2023, representing a decrease of RMB3.6 million or 23.1% from RMB15.6 million as of December 31, 2022, which was primarily due to reduction in rents.

Liquidity and Capital Resources

As of December 31, 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 RMB353.9 million and RMB587.6 million as of December 31, 2023 and 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 years indicated, respectively:

	For the year ended December 31,	
	2023	2022
	<i>(RMB in millions)</i>	
(Loss)/profit before tax	<u>(1,601.4)</u>	104.4
Adjustments	1,557.9	65.6
Change in working capital	113.3	169.9
Income tax paid	(9.1)	(19.1)
Interest received	<u>6.9</u>	5.4
Net cash flows from operating activities	67.6	326.2
Net cash flows used in investing activities	(304.9)	(602.3)
Net cash flows from financing activities	<u>1.7</u>	310.8
Net (decrease)/increase in cash and cash equivalents	(235.6)	34.7
Cash and cash equivalents at the beginning of the year	587.6	547.2
Effect of foreign exchange rate changes, net	<u>1.9</u>	5.7
Cash and cash equivalents at the end of the year	<u>353.9</u>	<u>587.6</u>

Gearing Ratio

As of December 31, 2023, our gearing ratio was 0.4% (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 2023.

Pledge of Assets

As of December 31, 2023, pledged time deposit amounting to RMB69.5 million were pledged for purchase of leasehold land and litigation.

Contingent Liabilities

As of December 31, 2023, except for the lawsuits set out in note 11 to the financial statements as stated above, our Group had no other significant contingent liabilities.

Foreign Exchange Exposure

Our Group's businesses are principally conducted in RMB. We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As of December 31, 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

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

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2023, our Group had 287 employees. Total staff remuneration expenses including Directors' remuneration in 2023 amounted to RMB93.0 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 Reporting Period and up to the date of this announcement.

(i) The ongoing litigation with Hummingbird Music Ltd.

From May to June 2016, an artist participated in the production of three episodes of “Heroes of Remix (蓋世英雄)”, one of our variety programs. In July 2022, the artist’s management company, Hummingbird Music Ltd. (蜂鳥音樂有限公司), brought a lawsuit against us at the Primary People’s Court of Changning District of Shanghai, claiming performance service fee of RMB16.3 million and attorney’s fee of RMB200,000. In June 2023, the court rendered a judgment in our favor, absolving us of any obligation to provide compensation. On July 6, 2023, Hummingbird Music Ltd. filed a petition to the Shanghai High People’s Court for appeal against this judgment. As of the date of this announcement, the court was yet to render judgment on this case. For details, please refer to our Prospectus.

(ii) The litigation with Munhwa Broadcasting Corporation

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

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

As of the date of this announcement, there were no significant events that might affect our Group since the year ended December 31, 2023.

RETIREMENT AND RE-ELECTION OF DIRECTORS

Pursuant to Article 16.19 of the Company's articles of association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he/she retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Each of Mr. Xu Xiangdong (an executive Director), Mr. Sheng Wenhao (an independent non-executive Director), and Mr. Lee Wei Choy (a non-executive Director) will retire from office at the AGM of the Company to be held on June 20, 2024 pursuant to Article 16.19 of the Company's articles of association. Each of Mr. Xu Xiangdong and Mr. Sheng Wenhao, being eligible, will offer themselves for re-election. Mr. Lee Wei Choy will not offer himself for re-election as he would like to devote more time to his other business commitment.

Mr. Lee Wei Choy confirms that he does not have any disagreement with the Board and there is nothing to be brought to the attention of the Shareholders in relation to his proposed retirement.

PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR

At the AGM of the Company, a separate ordinary resolution will be put forward to the Shareholders in relation to the proposed election of Ms. Shen Ning as an executive Director, for a term of three years commencing from the date of the AGM which approves her appointment. The biographical details of Ms. Shen is set out below:

Ms. SHEN Ning (沈寧), aged 46, joined the Group in 2011 and is currently the chairwoman of MXQY which is the artist brokerage and derivative business sector of the Group. She is mainly responsible for offline business development and team management.

Before joining the Group, Ms. Shen served as the deputy director of the department of variety show of Shanghai Oriental Television (上海東方電視台).

Ms. Shen received a bachelor's degree in Broadcasting and Television Playwright-directing (Art Directing) (文藝編導學士學位) from the Communication University of China (中國傳媒大學) (formerly known as the Beijing Broadcasting College (北京廣播學院)) in July 1999.

Save as disclosed above, Ms. Shen had not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company or other members of the Group.

Save as disclosed above, Ms. Shen does not have any relationship with other Directors, senior management, substantial or controlling Shareholders of the Company nor does she have any interest in any Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Subject to election by the Shareholders at the forthcoming AGM, Ms. Shen is expected to enter into a service contract with the Company for an initial term of three years commencing from the date of the AGM which approves her appointment, subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Ms. Shen will be entitled to a Director's fee of RMB755,000 per annum and discretionary bonus as determined by the Board. Ms. Shen's remuneration will be subject to annual review by the remuneration committee of the Company with reference to, among others, her duties, qualifications, performance and level of responsibilities, the Group's performance for the financial year concerned and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to Ms. Shen's appointment that need to be brought to the attention of the Shareholders and there is no other information that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Compliance with the Code on Corporate Governance Practices

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

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

Save as disclosed above, our Company complied with the code provisions set out in the Corporate Governance Code during the Reporting Period. 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 C3 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 during the Reporting Period.

Scope of work for Annual Results Announcement by Auditor

The financial information set out in this announcement does not constitute our Group's audited accounts for the year ended December 31, 2023, but represents an extract from the consolidated financial statements for the year ended December 31, 2023 which have been audited by the auditor of our Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Audit Committee

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

Our audit committee has reviewed our audited consolidated financial statements for the year ended December 31, 2023 and has discussed with the senior management of our Company, on matters with respect to the accounting policies and practices adopted by our Company and internal control.

Other Board Committees

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

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

During the Reporting Period, neither our Company nor any of our subsidiaries purchased, sold or redeemed any of our Company's securities listed on the Stock Exchange.

FINAL DIVIDEND

Our Board does not recommend the payment of a final dividend for the year ended December 31, 2023.

PUBLICATION OF THE 2023 ANNUAL RESULTS ANNOUNCEMENT AND 2023 ANNUAL REPORT

This annual 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. Our annual report for 2023 financial year will be published on the aforesaid websites of the Stock Exchange and our Company and will be despatched to our Shareholders (where applicable) in due course.

ANNUAL GENERAL MEETING

AGM will be held on Thursday, June 20, 2024 and the notice of the AGM will be published and dispatched to the Shareholders (where applicable) in accordance with our Company's articles of association and the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of our Company will be closed from Monday, June 17, 2024 to Thursday, June 20, 2024, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all Share transfer forms accompanied by the relevant Share certificates must be lodged with our Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, June 14, 2024.

DEFINITIONS

“AGM”	the annual general meeting of our Company
“AIGC”	AI-generated content
“Board”	the board of directors of our Company
“Canxing Culture”	Shanghai CanXing Culture & Media Co., Ltd. (上海燦星文化傳媒股份有限公司)
“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 C1 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 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
“Mengxiang Qi’an”	Mengxiang Qi’an Culture Development (Shanghai) Co., Ltd. (夢響啟岸文化發展(上海)有限公司)
“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, March 28, 2024

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.