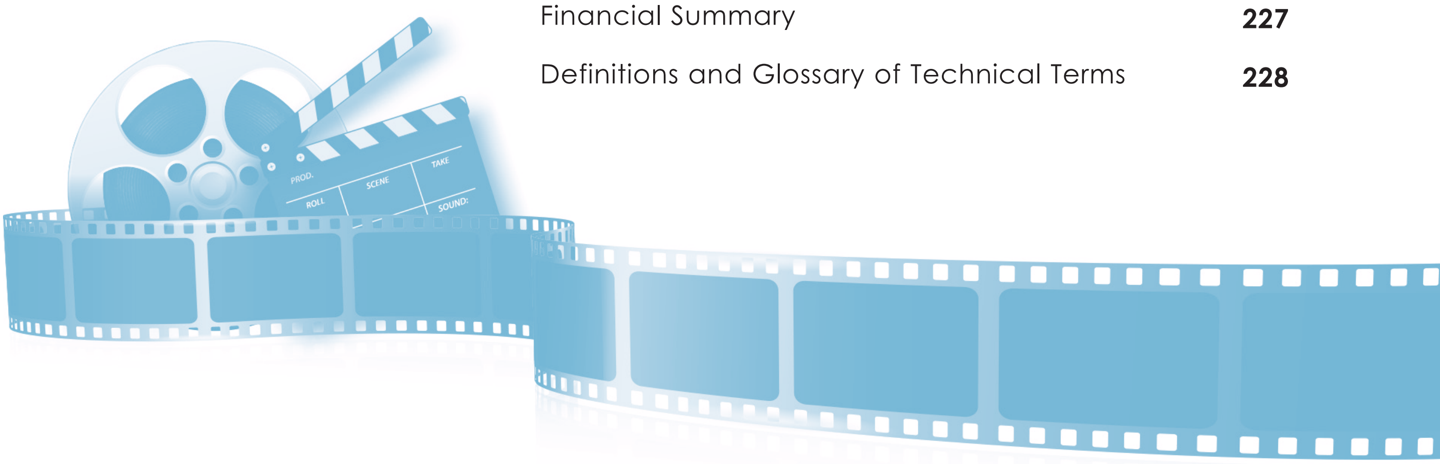
星空華文控股有限公司
STAR CM Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6698

2022 ANNUAL REPORT

Contents



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tian Ming *(Chairman and Chief Executive Officer)*
Mr. Jin Lei
Mr. Xu Xiangdong
Mr. Lu Wei
Ms. Wang Yan

Non-Executive Directors

Mr. Lee Wei Choy

Independent Non-executive Directors

Mr. Li Liangrong
Mr. Chen Rehao
Mr. Sheng Wenhao

AUDIT COMMITTEE

Mr. Chen Rehao *(Chairman)*
Mr. Li Liangrong
Mr. Sheng Wenhao

REMUNERATION COMMITTEE

Mr. Li Liangrong *(Chairman)*
Mr. Jin Lei
Mr. Chen Rehao

NOMINATION COMMITTEE

Mr. Tian Ming *(Chairman)*
Mr. Chen Rehao
Mr. Li Liangrong

JOINT COMPANY SECRETARIES

Ms. Wang Yan
Ms. Leung Wing Han Sharon

AUTHORIZED REPRESENTATIVES

Ms. Wang Yan
Ms. Leung Wing Han Sharon

COMPLIANCE ADVISOR

China Securities (International)
Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

REGISTERED OFFICE

P.O. Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

17/F, Jiefang Building
No. 300 Hankou Road
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road, Kowloon
Hong Kong

LEGAL ADVISORS

As to Hong Kong law

Zhong Lun Law Firm LLP
4/F., Jardine House
1 Connaught Place
Central, Hong Kong

As to PRC law

Zhong Lun Law Firm
6/10/11/16/17F
Two IFC, 8 Century Avenue
Pudong New Area, Shanghai
PRC

As to Cayman Islands law

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

China CITIC Bank Shanghai Wanping
Road Sub Branch
203 Wanping South Road
Shanghai
PRC

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

China Merchants Bank Shanghai Branch
No. 1092 Hualing Road
Baoshan District, Shanghai
PRC

STOCK CODE

6698

COMPANY WEBSITE

www. starcmgroup.com

Chairman's Statement

Dear Shareholders,

On behalf of our Board, I am pleased to present you the annual report of our Group for the year ended December 31, 2022.

THE LISTING

The Shares of our Company were successfully listed on the Main Board of the Stock Exchange on December 29, 2022. The Listing was a recognition of our Group's past contributions in its business growth and marked an important milestone in our Group's history.

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2022, our Group recorded a total revenue of RMB873.4 million, representing a decrease of 22.5% as compared to RMB1,126.7 million for the year ended December 31, 2021. Our Group recorded a net profit of RMB84.6 million for the year ended December 31, 2022, representing a substantial improvement as compared to the net loss of RMB351.7 million for the year ended December 31, 2021. The substantial turnaround from net loss to net profit for the year ended December 31, 2022 was primarily due to (i) no impairment loss on goodwill recorded in 2022, as compared to an impairment loss on goodwill of RMB380.7 million recorded in 2021; and (ii) the overall decrease in administrative expenses of our Group for 2022.

BUSINESS REVIEW

Leveraging on our close cooperation with our diverse broadcasting channels, namely, four of the Big five Satellite TV Networks in China, the Top Three Online Video Platforms in China, the two major online music platforms in China and a leading short video platform in China to distribute our IP content worldwide, the implementation of our strategies in further expansion of our audience outreach and brand influence to enhance our monetization capabilities has yielded remarkable results. We broadcast a total of 8 variety programs in 2022.

As of the Latest Practicable Date, in addition to the variety programs that we have broadcast, we are planning to launch "Great Dance Crew" (了不起! 舞社), "Sing! China" (中國好聲音), "Street Dance of China" (這! 就是街舞), "Guess the Singer!" (蒙面唱將猜猜猜), "China's got Talent" (中國達人秀) in 2023 and to continue enrich and expand our variety programs IPs portfolio. Meanwhile, we will continue to integrate our variety programs IPs and films IPs, to host various offline entertainment events, and leverage our music resources and the artist management capabilities in order to further enhance the business operation of our diverse IP resources.

We believe that our leading position as one of the largest variety program IP creator and operator in China, our strong IP creation capabilities, our efficient IP operation, our diversified distribution channels centered on IP promotion, our large audience base, our global entertainment IP presence and our visionary and experienced management team could bring us continuous and stable drivers for development which in turn, solidifying our leading position in an industry with fierce and fragmented market competition in China.

PROSPECTS

Our Directors are of the view that the general outlook of the entertainment IP industry and the business environment in which our Group operates will remain promising in the coming year. During the Reporting Period, despite the persistent outbreak of COVID-19 and the on-going implementation of pandemic prevention and control measures in the PRC, there were minimal signs of slowing down in terms of growth and demand for entertainment consumption and entertainment activities in the PRC, thanks to (i) the sustainable growing demands for high-quality and creative entertainment products in the PRC; (ii) the willingness of young generations to pay for premium entertainment content and derivative products, transforming this generational group into a major consumption group for pan-entertainment products in the PRC; (iii) innovative partnership models among content media platforms and entertainment IP producers in the past few years leading to new breakthroughs in the aspects of content selection, program productions and traffic capture, which in turn widened the sources of income for industry players but at the same time expanding the overall consumer choices; and (iv) the proliferation of digital technologies such as unlimited geographic coverage, inclusivity and promptness of Internet, which gradually changes the consuming behavior of the pan-entertainment consumers and benefits the evolution of the pan-entertainment industry as a whole.

That being said, our Group will continue to stay alert to the overall economic outlook of both the Chinese economy and the global economy, and will implement the appropriate measures in response to any changes that may have a negative impact on our business, financial conditions, results of operations and prospects.

APPRECIATION

On behalf of our Board, may I express my sincerest gratitude to our Shareholders, audience members, customers, suppliers and business partners for making our Group's business journey a worthwhile one. I would also like to send my warmest thanks to all our management and staff members for their hard work and dedication throughout the year.

Mr. Tian Ming
Chairman and Executive Director

Hong Kong, March 28, 2023

Management Discussion and Analysis

BUSINESS OVERVIEW

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

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

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

Business Analysis by Business Line

(i) Variety Program IP Production, Operation and Licensing

For the year ended December 31, 2022, our Group successfully produced and broadcast a total of eight variety programs. The table below sets forth the details of the programs:

No.	Program	Format	Release time	Completion time	Primary broadcasting platform	Cooperation model
1	PANTHEPACK	Outdoor/Cultural variety program	2022/2/12	2022/2/19	Douyin	Commissioned production model
2	Great dance Crew 2022	Dance variety program	2022/4/26	2022/6/25	Youku	Commissioned production model
3	Sing! China2022	Music variety program	2022/8/5	2022/10/28	Zhejiang satellite TV station	Revenue sharing model
4	Guess the dancer 2022	Dance variety program	2022/7/3	2022/9/4	Jiangsu satellite TV station	Revenue sharing model
5	Street Dance of China 2022	Dance variety program	2022/8/13	2022/10/29	Youku	Revenue sharing model
6	E-POP of China	Music variety program	2022/7/15	2022/9/23	Youku	Revenue sharing model
7	HAHA A Day	Talent show	2022/8/26	2022/9/2	Douyin	Commissioned production model
8	Go! Dreamland	Outdoor music variety program	2022/12/20	2023/2/7	Douyin	Revenue sharing model

As at the Latest Practicable Date, "Remember Me", a music variety program that we produced in 2022 completed its broadcast in March 2023 on Douyin. Building on our success in 2022, our Group will continue to innovate and create popular variety program IPs. As of the Latest Practicable Date, our Group had eight pipeline variety programs underway, which are expected to be release during 2023. The table below sets forth the details of the programs:

No.	Program	Format	Expected release time	Expected completion time	Planned broadcasting platform	Expected cooperation model
1	Great dance Crew 2023	Dance variety program	2023/4/8	June 2023	Youku	Commissioned production model
2	Sing! China 2023	Music variety program	3th quarter 2023	4th quarter 2023	Zhejiang satellite TV station	Revenue sharing model

No.	Program	Format	Expected release time	Expected completion time	Planned broadcasting platform	Expected cooperation model
3	Street dance of China 2023	Dance variety program	3th quarter 2023	4th quarter 2023	Youku	Revenue sharing model
4	China's Got talent 2023	Talent variety program	3-4th quarter 2023	4th quarter 2023 or after	A leading satellite TV network	Revenue sharing model
5	Guess the singer 2023	Music variety program	3-4th quarter 2023	4th quarter 2023 or after	A leading satellite TV network	Revenue sharing model
6	An outdoor show	Talent variety program	3-4th quarter 2023	4th quarter 2023 or after	A top online video platform	To be determined
7	A music show	Music variety program	3-4th quarter 2023	4th quarter 2023 or after	A top online video platform	To be determined
8	A talk show	Talk show	3-4th quarter 2023	4th quarter 2023 or after	A top online video platform	To be determined

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 report.

(ii) Music IP Operation and Licensing

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

(iii) Film and Drama Series IP Operation and Licensing

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

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

(iv) Other IP-related Business

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

FUTURE DEVELOPMENT

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

- Further strengthen our IP creation and operation capabilities: We will continue to operate our music IP library and film IP library. We will further enhance our capabilities of content production in the field of variety programs, music, film and drama series, and diversify the genres and topics of our IPs.

- Further expand our audience outreach and brand influence to enhance our monetization capabilities: We will continue to set up distribution channels to reach wider audience. We will increase the number of partner TV networks, online video platforms and music service providers and diversify our distribution channels and offer onsite experience through IP-centered experience halls, electronic music centers and street dance centers. Leveraging the growth of the global entertainment industry, we will strengthen our efforts to recruit content production professionals in the overseas entertainment market and attract talented artists globally in order to further enhance our influence and value of our entertainment IPs in the global market.

- Further expand our business through mergers and acquisitions: We will keep a close watch on and continuously evaluate high-quality merger and acquisition targets that are complementary to our business and in line with our strategies. We aim to effectively integrate premium industry resources in the upstream and downstream of the entertainment value chain, further accelerating the expansion of our Group.

- Continue to attract talents and build our team: We provide excellent training and highly competitive compensation and incentive plan for our employees. We plan to attract top talents in the fields of IP production, operation and management via continuous improvement in our talent acquisition and retention system.

FINANCIAL REVIEW

Overview

During the year ended December 31, 2022, we recorded a revenue of RMB873.4 million as compared with a revenue of RMB1,126.7 million in 2021, and a gross profit of RMB281.1 million as compared with a gross profit of RMB274.3 million in 2021. Our net profit amounted to RMB84.6 million in 2022 as compared with a net loss of RMB351.7 million in 2021. Our adjusted net profit in 2022 was RMB120.8 million as compared with the adjusted net loss of RMB304.3 million in 2021. The turnaround from net loss to net profit was mainly because (i) no impairment on goodwill was recorded in 2022, as compared to an impairment loss on goodwill of RMB380.7 million was recorded in 2021; and (ii) the overall decrease in administrative expenses of our Group as a result of the on-going impact of COVID-19 in 2022.

Revenue by Business Segment

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

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

(i) Variety Program IP Production, Operation and Licensing

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

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

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

(ii) Music IP Operation and Licensing

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

(iii) Film and Drama Series IP Operation and Licensing

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

(iv) Other IP-related Business

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

Cost of Sales

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

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

(i) Variety Program IP Production, Operation and Licensing

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

(ii) Music IP Operation and Licensing

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

(iii) Film and Drama Series IP Operation and Licensing

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

(iv) Other IP-related Business

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

Gross Profit and Gross Profit Margin

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

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

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

(i) Variety Program IP Production, Operation and Licensing

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

(ii) Music IP Operation and Licensing

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

(iii) Film and Drama Series IP Operation and Licensing

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

(iv) Other IP-related Business

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

Other Incomes and Gains

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Impairment of Goodwill

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

Impairment Losses on Financial Assets

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

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

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

Other Expenses

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

Finance Costs

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

Share of Profits and Losses of Joint Ventures and Associates

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

Income Tax Expenses

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

Profit/(Loss) for the Years

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

Non-IFRS Measure

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

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

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

Notes:

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

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

FINANCIAL POSITION

Property, Plant and Equipment

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

Goodwill

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

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

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

Significant Investments

Our investments in associates amounted to RMB617.9 million as of December 31, 2022, representing an increase of RMB195.7 million or 46.4% from RMB422.2 million as of December 31, 2021. On July 21, 2022, our Group and two independent third parties had invested in and established Shanghai Bingqiao, with our Group holding 17.59% equity interests in Shanghai Bingqiao. Our total investment amount of RMB444.7 million in Shanghai Bingqiao includes (i) registered capital amounting to RMB193.5 million recorded as long-term investments; and (ii) a surplus to registered capital amounting to RMB251.2 million, which is in proportion to our Group's equity interests in Shanghai Bingqiao recorded as due from related party. In addition to our investment in Shanghai Binqiao, our investment in associates in 2021 mainly included Shaanxi Star Shuolan Real Estate Co., Ltd. (陝西星空碩藍置業有限公司) and Shaanxi Star Yuanlv Real Estate Co., Ltd. (陝西星空原綠置業有限公司), in which the Group's shareholding in these two associates were 40% and 40%, respectively, with a total investment of RMB418 million.

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

Amount Due from Related Parties

Amount due from related parties increased by RMB269.8 million or 146.8% to RMB453.6 million as of December 31, 2022 from RMB183.8 million as of December 31, 2021, which was primarily due to the increase in the amount due from Shanghai Bingqiao and Mengxiang Qi'an which is the portion of our investment in Shanghai Bingqiao and Mengxiang Qi'an that is surplus to their respective registered capitals. For details, please refer to Note 35 to the financial statements.

Financial Assets at Fair Value Through Profit or Loss

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

Restricted Cash

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

Program Copyrights

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

Trade and Notes Receivables

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

Prepayments, Other Receivables and Other Assets

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

Trade Payables

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

Other Payables and Accruals

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

Lease Liabilities

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

Liquidity and Financial Resources

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

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

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

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

Funding and Treasury Policy

Our Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. Our Group's liquidity and financing requirements are regularly reviewed. Our Board closely monitors our Group's liquidity position to ensure that our Group can meet its funding requirements for business development from time to time and seize future growth opportunities as and when such opportunities appear.

Gearing Ratio

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

Material Acquisitions and Disposals

Save as disclosed in this Report, we did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures in 2022.

Pledge of Assets

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

Contingent Liabilities

As of December 31, 2022, except for the lawsuits set out in Note 33 to the financial statements, our Group had no other significant contingent liabilities.

Foreign Exchange Exposure

Our Group's businesses are principally conducted in RMB. We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As of December 31, 2022, major non-RMB assets are cash and cash equivalents which denominated in Hong Kong dollar ("**HK$**") or United States dollar ("**US$**"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect our Group's results of operations. Our Group does not intend to hedge its exposure to foreign exchange fluctuations. However, 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 AND SOURCES OF FUNDING

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

Report of Directors

Our Board is pleased to present this report of Directors together with the consolidated financial statements of the Group for the 2022 financial year.

OVERVIEW OF THE COMPANY

Our Company was incorporated in the Cayman Islands on March 29, 2021 as an exempted limited liability company. The Shares were listed on the Main Board of the Stock Exchange on December 29, 2022.

Our Business

Our Group is a variety program IP creator and operator in China and has a broad spectrum and a number of popular variety program IPs in diverse genres, including music variety programs, dance variety programs, talent shows, talk shows, outdoor/cultural variety programs and other variety programs.

Our Group also owns and operates a large library of Chinese film IPs, and is a music IP creator and operator in China.

Our Company is an investment holding company and the principal businesses of its principal subsidiaries are set out in Note 1 to the financial statements.

Subsidiaries

Particulars of our Company's subsidiaries are set out in Note 1 to the financial statements.

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

Neither our Company nor any of our subsidiaries purchased, sold or redeemed any of our securities listed on the Stock Exchange since the Listing Date and until the end of the Reporting Period.

Sufficiency of Public Float

Rule 8.08(1) of the Listing Rules provides that there must be an open market in the securities for which listing is sought and an sufficient public float of an issuer's listed securities. This normally means that at least 25% of the issuer's total issued shares must at all times be held by the public. However, Rule 8.08(1)(d) of the Listing Rules provides that the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25%, if the issuer meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

(a) the issuer will have an expected market capitalization at the time of listing of over HK$10.0 billion;

(b) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;

(c) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing documents;

(d) the issuer will confirm the sufficiency of the public float in successive annual reports after listing; and

(e) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

The Stock Exchange had granted a waiver under Rule 8.08(1)(d) of the Listing Rules ("**Public Float Waiver**") to accept a lower public float percentage falling below 25% of the total issued share capital of the Company, subject to:

(i) the minimum public float will be the higher of: (1) 20.58% of the total issued share capital of the Company; or (2) such percentage of Shares to be held by the public immediately after the completion of the Global Offering of our Company and the exercise of the over-allotment option, if any;

(ii) our Company will have an expected market capitalization at the time of Listing of over HK$10 billion;

(iii) our Company will make appropriate disclosure of the lower percentage of public float in its prospectus;

(iv) our Company will confirm sufficiency of public float in our Company's annual reports after the Listing;

(v) our Company will as soon as practicable announce the percentage of Shares held by the public immediately after the completion of the Global Offering of our Company (but before the exercise of the over-allotment option), such that the public will be informed of the minimum public float requirement applicable to our Company;

(vi) our Company will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float prescribed by the Stock Exchange; and

(vii) our Company will comply with Rule 8.08 of the Listing Rules to ensure there is an open market for the Shares.

Based on the information that is publicly available to our Company and to the knowledge of our Directors, throughout the period from the Listing Date to December 31, 2022 and as of the date of this annual report, our Company has maintained the prescribed amount of public float as required under the Public Float Waiver.

OVERVIEW OF OUR PERFORMANCE OVER THE REPORTING PERIOD

A fair review of the business of our Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of our Group's financial performance and an indication of likely future developments in our Group's business, is set out in "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Those discussions form part of this report. Events affecting our Company that have occurred since the end of the 2022 financial year are set out in "Important Events After the Reporting Period" in this annual report. An account of our Company's key relationships with our employees, customers and suppliers and others that have a significant impact on our Company is set out in "Environmental, Social and Governance Report" at pages 74 to 108 of this annual report.

Results of our Group

The results of our Group for the Reporting Period are set out in the consolidated statement of profit or loss of this annual report.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige our Company to offer new Shares on a pro-rata basis to our Shareholders.

Tax Relief and Exemption

Our Company is not aware of any tax relief and exemption available to our Shareholders by reason of their holding of our securities.

Share Capital and Shares Issued

Our Company has one class of shares with a nominal or par value of US$0.000001 each. Details of movements in the share capital of our Company, and details of our Shares issued, during the Reporting Period are set out in Note 28 to the financial statements.

Reserves

Details of movements in the reserves of our Group in 2022 are set out in the consolidated statement of changes in equity are set out in Note 29 to the financial statements.

Distributable Reserves

Our distributable reserves comprise undistributed profits. As of December 31, 2022, our Company's reserves available for distribution, amount to RMB1,159.2 million.

Donation

During the Reporting Period, our Group made no charitable and other donations.

Debenture Issued

During the Reporting Period, our Group did not issue any debenture.

Equity-linked Agreements

Save as disclosed in the Prospectus and this report, there was no equity-linked agreements entered into by our Group, or subsisting during the Reporting Period.

Dividends

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

Permitted Indemnity

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director, Auditor or other officer of our Company shall be entitled to be indemnified out of the assets of our Company against all losses or liabilities incurred or sustained by him as a Director, Auditor or other officer of our Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Such permitted indemnity provision has been in force over the Reporting Period. Our Company has taken out liability insurance to provide appropriate coverage for our Directors.

Bank Loans and Other Borrowings

As of December 31, 2022, our Group did not have any bank loans or other borrowings.

Loan and Guarantee

During the year ended December 31, 2022, our Group had not made any loan or provided any guarantee for loan, directly or indirectly, to Directors, senior management of our Company, the Controlling Shareholders or any of their respective connected persons.

Major Customers and Suppliers

During the Reporting Period, revenue from our Group's five largest customers together accounted for 71.2% (2021: 77.0%) of our Group's total revenue. Our Group's largest customer for the year ended December 31, 2022 accounted for 35.7% (2021: 35.8%) of our Group's total revenue.

During the Reporting Period, cost of revenue from our Group's five largest suppliers accounted for 19.8% (2021: 21.1%) of our Group's total purchase amount. Our Group's largest supplier accounted for 7.0% (2021: 10.3%) of our Group's total purchase amount.

During the Reporting Period, our Group did not experience any significant disputes with its customers or suppliers.

During the Reporting Period, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of our Company, had any interest in any of the customers or suppliers of our Group.

Employee and Remuneration Policy

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

For details of our Directors and the five highest paid individuals during the Reporting Period, please refer to Note 8 and Note 9, respectively, to the financial statements. For details of the remuneration of the senior management of our Group during the Reporting Period, please refer to Note 35(c) to the financial statements.

Retirement and Employee Benefit Plans

Details of our Company's retirement and employee benefits are set out in Note 6 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Our Group's results of operations are subject to various factors with the key risks summarized below:

(a) Our Group relies on its major variety programs and a potential decline in popularity of those programs may materially and adversely affect its business and results of operations;

(b) Our Group may be unable to adapt to changing trends in the entertainment content market in the PRC to effectively meet the evolving needs and preferences of corporate sponsors, viewers and media platforms;

(c) The production and distribution of new variety programs and drama series are subject to uncertainties;

(d) Our Group may not be able to recover production costs incurred, or achieve its target profit margin for the variety programs it produced, which may affect its business, financial condition and results of operation;

(e) The performance of the advertising market will affect the ability of our Group's customers to pay for its variety programs;

(f) Our Group relies on a limited number of major customers in its business. Any interruption in its cooperation with them could materially and adversely impact its business, financial condition and results of operations;

(g) Our Group's business depends on the continual release of successful programs and its operating results may be affected by changes in schedule or mix of its program portfolio;

(h) Information on our Group's pipeline programs may not prove to be accurate or indicative of its future result of operations;

(i) Our Group relies on the contribution of industry professionals participating in the development, production and promotion of its variety programs and other third-party suppliers of services and products. Its failure to retain the services of such professionals and suppliers, unsatisfied services provided by them or even any negative news about them in the future may materially and adversely affect its business and results of operations; and

(j) Failure to create, operate and protect the intellectual property rights of our Group's IPs could have a negative impact on its business, competitive position and prospects.

Since the above is not an exhaustive list, investors are advised to make their own judgment or consult their own investment advisors before making any investment in our Shares.

For more details of other risks and uncertainties faced by our Group, please refer to the section headed "Risk Factors" of the Prospectus.

RELATIONSHIP WITH KEY STAKEHOLDERS

Our Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including the substantial shareholders, employees, customers and suppliers.

Shareholders

Our Group recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. Our Group believes communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been and will be done through general meetings, corporate communications, interim and annual reports and results announcements.

Staff

Our Group understands that employees are its valuable assets, and the realization and enhancement of employees' values will facilitate the achievement of our Group's overall goals. Our Group has been endeavoring to provide its staff with competitive compensation packages, attractive promotion opportunities and a respectful and professional working environment. Our Group contributes to social security insurance and housing provident funds for the employees in all material aspects in accordance with applicable PRC laws, rules and regulations. Our Group also provides the employees with holiday gifts and annual health checkups. Our Group will continue to attract and retain more talent and the new talent will be offered advancement through performance-based compensation packages, on-the-job training programs and promotion opportunities.

Customers

The key customers of our Group include, online video platforms, state-owned radio and television media group, technology and social media conglomerate, IP operation and advertising company and education institution. Our Group is committed to providing good quality service to its customers and enhance the loyalty of the customers by increasing the interaction with customers through communication and field visits from time to time in order to understand the customer demands, which provide good development to our Group's overall performance in the long run.

Suppliers

Our Group believes that its suppliers are equally important in providing high-quality variety program, talent show, music IP and drama series. Our Group has maintained solid and good relationships with its suppliers which ensures quality supply so as to deliver high quality programs, shows and series to customers.

Save as disclosed in this annual report, for the year ended December 31, 2022, there was no significant and material dispute between our Group and its stakeholders.

FINANCIAL SUMMARY

A summary of our Group's financial results, assets and liabilities for the last four financial years are set out on page 227 of this annual report. This summary does not form part of the audited consolidated financial statements.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in Note 35 to the financial statements, the section headed "Continuing Connected Transactions" of Director's Report in this report, and the section headed "Connected Transactions" in the Prospectus, neither contract of significance made between our Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, nor contract of significance made for the provisions of services to our Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the year ended December 31, 2022.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of our Company were entered into or exited during the period from the Listing Date to the Latest Practicable Date.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a socially responsible corporation, our Group has endeavoured to strictly comply with laws and regulations regarding environmental protection. During the period from the Listing Date to the date of this report, the businesses of our Group were in compliance with all the relevant laws and regulations with regard to environmental protection in all material aspects.

Our Company recognizes the importance of environmental protection. Our Company is committed to providing an eco-friendly energy environment for our staff and has developed energy conservation and carbon reduction policy so as to minimize negative environmental impacts.

For more details, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best of our knowledge, our Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of our Group. During the Reporting Period, there was no material breach of, or non-compliance with, applicable laws and regulations by our Group.

MATERIAL LITIGATION

Our Group was involved in a number of pending/ongoing/concluded litigations during the Reporting Period. Saved as disclosed in this paragraph, our Directors are also not aware of any material litigation or claims that are pending or threatened against our Group during or subsequent to the Reporting Period.

(i) The ongoing litigation with Hummingbird Music Ltd.

From May to June 2016, an artist participated in the production of three episodes of "Heroes of Remix (蓋世英雄)," one of our variety programs. In July 2022, the artist's then management company, Hummingbird Music Ltd., brought a lawsuit against us at the Primary People's Court of Changning District of Shanghai, claiming performance service fee of RMB16.3 million and attorney's fee of RMB200,000. As of the Latest Practicable Date, the lawsuit was in the first instance and the court did not render judgment on this case.

Taking into account the opinion given by PRC legal counsel and advisers, our Company remains optimistic in obtaining a favourable judgement in the Primary People's Court of Changning District of Shanghai. Our Directors are of the view that this ongoing lawsuit would not have material adverse impact on our Group' operations or financial condition.

(ii) The litigation with Munhwa Broadcasting Corporation

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

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

(iii) The Litigation with MBC initiated in April 2019 (concluded in August 2022)

Our Group initiated a lawsuit against MBC in April 2019 at the First Intermediate People's Court of Shanghai Municipality for a judgment ordering MBC to return our Group the production consulting services fee of US$2.6 million and pay the damages for breach of the October 2016 Agreement of US$520,000.

In July 2020, MBC filed a counterclaim against our Group, claiming that "Awesome Challenge – Amazing (我們的挑戰)" a variety program developed and produced by our Group, is "Outdoor Reality Show (戶外真人秀)" and that it had participated in the program's production. MBC claimed an aggregate amount of RMB47.5 million from our Group, primarily covering production fee, penalty for breach of contract, accrued interests for overdue payment.

In September 2021, the First Intermediate People's Court of Shanghai Municipality, in its capacity as the court of first instance, ruled that MBC had partially participated in the production of "Awesome Challenge – Amazing (我們的挑戰)". The court ordered our Group to pay production consulting services fee of RMB10 million and accrued interest for overdue payment to MBC. The court overruled other claims of MBC and our Group's, including its claim for the return of the down payment of US$2.6 million. The ruling is affirmed by Shanghai High People's Court as the court of second instance in August 2022.

For further details of above litigations, see "Business— Legal Proceedings" of the Prospectus. Our Company will inform the Shareholders and potential investors of our Company's material progress of the ongoing legal proceedings when appropriate.

OVERVIEW OF THE BOARD

Our Directors who held office during the Reporting Period and up to the Latest Practicable Date are:

Executive Directors:

Mr. Tian Ming* *(Chairman and Chief Executive Officer)*
Mr. Jin Lei**
Mr. Xu Xiangdong**
Mr. Lu Wei**
Ms. Wang Yan**

Non-Executive Director:

Mr. Lee Wei Choy**

Independent Non-Executive Directors:

Mr. Li Liangrong**
Mr. Chen Rehao**
Mr. Sheng Wenhao**

* effective date of appointment on March 29, 2021
** effective date of appointment on September 9, 2021

BIOGRAPHY OF OUR DIRECTORS AND SENIOR MANAGEMENT

Biographical details of our Directors and the senior management of our Company are set out in the section headed "Directors and Senior Management" of this report.

Each of our Directors has entered into a service contract or an appointment letter with our Company, under which they agreed to act as Directors for an initial term of three years commenced from the Listing Date or until the third annual general meeting of our Company after the Listing Date (whichever ends earlier), which may be terminated by not less than one month's notice in writing served by either the Director or our Company.

The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Associations and the applicable Listing Rules.

None of our Directors proposed for re-election at the forthcoming AGM has a service contract with any member of our Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INFORMATION RELATING TO OUR DIRECTORS

Directors' Service Contracts

Each of our Executive Directors entered into a service contract with our Company on December 9, 2022 for an initial term of three years from the Listing Date. Either party may terminate the agreement by giving prior written notice.

Each of our non-executive Directors entered into an appointment letter with our Company on December 9, 2022 for an initial term of three years from the Listing Date. Either party may terminate the agreement by giving prior written notice.

Each of our independent non-executive Directors entered into an appointment letter with our Company on December 9, 2022 for an initial term of three years from the Listing Date. Either party may terminate the agreement by giving prior written notice.

The above appointments are subject to the provisions of retirement by rotation and re-election under the Articles of Association.

None of our Directors proposed for re-election at our upcoming annual general meeting has a service contract with members of our Group that is not determinable by our Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

During the Reporting Period and up to the date of our annual report, save as disclosed herein, none of our Directors nor any entity connected with our Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which our Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2022.

Directors' Rights to Acquire Shares or Debenture

Save as disclosed in this annual report, at no time during the Reporting Period was our Company or any of its subsidiaries a party to any arrangements to enable our Directors to acquire benefits by means of the acquisition of shares in, or debentures of, our Company or any other body corporate; and none of our Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of our Company or any other body corporate, or had exercised any such right.

Emolument Policy and Directors' Remuneration

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code, our Company has established a Remuneration Committee to assist the Board in formulating remuneration policies. Remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for our independent non-executive Directors, their remuneration is determined by our Board upon recommendation from our Board's Remuneration Committee. Details of the remuneration of our Directors, senior management (which is also our key management) and the five highest paid individuals are set out in Notes 8, 35c and 9, respectively to the financial statements.

None of our Directors waived or agreed to waive any remuneration and there were no emoluments paid by our Group to any of our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group, or as compensation for loss of office.

Over the Reporting Period, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances, and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors was RMB5.6 million (as set out in Note 8 to the financial statements).

Directors' Interests in Competing Business

During the Reporting Period, none of our Directors control a business similar to principal business of our Group that competes or is likely to compete, either directly or indirectly, with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

Independence of Independent Non-executive Directors

Our Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rule from each of our independent non-executive Directors and our Company considers such Directors to be independent from the Listing Date to the date of this annual report.

Changes to Directors' Information

Since the Listing Date, there was no change to information which is required to be disclosed and has been disclosed by our Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the Reporting Period.

Continuing Disclosure Obligations pursuant to the Listing Rules

Save as disclosed in the Prospectus and in this annual report, our Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the following transaction constituted a non-exempt continuing connected transaction of our Group, which is subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules.

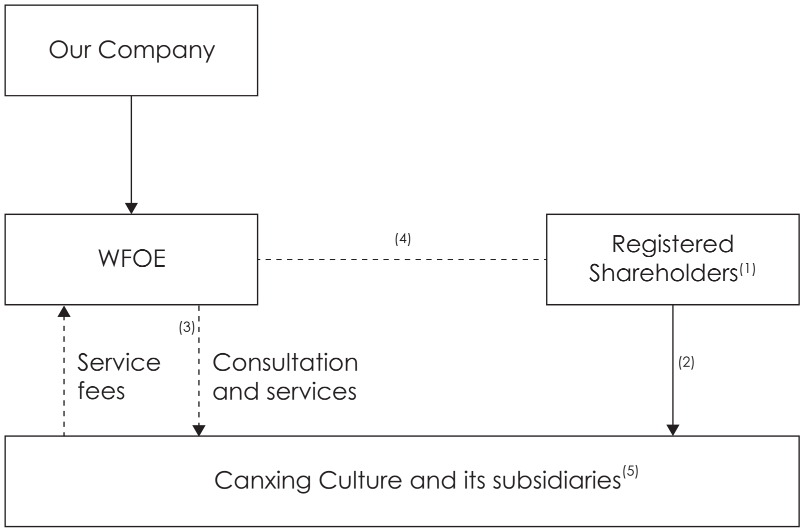
Contractual Arrangements

Overview

Certain businesses currently operated by our Group in the PRC, including but not limited to variety programs production, distribution and streaming, television drama series production and distribution, operation of WeChat mini-app and the minority investment in the production house of reality show and documentaries under the respective prohibited business categories of radio and television program production, internet cultural activities, television drama production and value-added telecommunication services (the "**Relevant Business**") are subject to foreign investment restrictions and license requirement under the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單)(2021年版)). Accordingly, the term "ownership" or the relevant concept, as applied to our Company with respect to its Consolidated Affiliated Entities, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any equity interest in its Consolidated Affiliated Entities. As a result of the restrictions imposed by the PRC laws, our Group is unable to own or hold any direct equity interest in its Consolidated Affiliated Entities. The Contractual Arrangements, through which our Company is able to exercise control over and derive the economic benefits from its Consolidated Affiliated Entities, are narrowly tailored to achieve it business purpose and minimize the potential for conflict with relevant PRC laws.

In order to comply with the PRC laws and regulations while availing our Group of international capital markets and maintaining effective control over all of our Group's operations, our Group's wholly-owned subsidiary, Shanghai Jiuwu Yisheng Culture & Media Co., Ltd. (上海久吾一生文化傳媒有限公司)("**WFOE**"), entered into the Contractual Arrangements with, among others, Canxing Culture and its subsidiaries, namely Beiyi Culture and Canxing Film (the "**Consolidated Affiliated Entities**"), pursuant to which all economic benefits arising from the business of the above Consolidated Affiliated Entities are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by the Consolidated Affiliated Entities to WFOE.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to the WFOE stipulated under the Contractual Arrangements:



(1) The Registered Shareholders refer to the shareholders of Canxing Culture, namely SH Xingtou, SH Zhouxing, Mr. Tian, Mr. Cao Bin and Hanfu Capital who hold 73.71%, 23.09%, 1.77%, 0.78% and 0.65%, respectively. For further information about the Registered Shareholders, see "History, Reorganization and Corporate Structure."

(2) "──►" denotes direct legal and beneficial ownership in the equity interest.

(3) "·····►" denotes the control by WFOE over the business of the Consolidated Affiliated Entities through the Exclusive Consulting and Services Agreements.

(4) "·········" denotes the control by WFOE over the equity interest of the Consolidated Affiliated Entities through the (i) Exclusive Purchase Option Agreements, (ii) Equity Pledge Agreements and (iii) Voting Right Trust Agreements.

(5) As of the Latest Practicable Date, the subsidiaries of Canxing Culture included Beiyi Culture and Canxing Film. Beiyi Culture was wholly-owned by Canxing Culture. Canxing Film was held by Canxing Culture as to 78% and Mr. Zhang Jun (張軍) and Mr. Jing He (景赫) (employees of Canxing Film) and Ms. Shi Min (石敏) (a director of Canxing Film), as to 15%, 5% and 2%, respectively.

Under the Contractual Arrangements, each of the Consolidated Affiliated Entities entered into an exclusive consulting and service agreement, exclusive purchase option agreement, equity pledge agreement and voting right trust arrangement with, among others, WFOE, pursuant to which each of the Consolidated Affiliated Entities will be directly bound by and subject to the terms and conditions thereof.

Summary of the material terms of the Contractual Arrangements

(i) Exclusive Consulting and Service Agreement

Pursuant to the Exclusive Consulting and Service Agreements, our Consolidated Affiliated Entities agreed to engage WFOE as the exclusive provider to the Consolidated Affiliated Entities of consultancy and relevant services in relation to media and program production, which include, among other things, application software research and development, staff training, technology development, technology transfer, public relations, market research and business management consulting services, and the Consolidated Affiliated Entities shall pay the service fees to the WFOE quarterly, which shall be equivalent to the consolidated quarterly profit after taxation to which Canxing Culture is entitled, after deducting any accumulated losses from the preceding fiscal quarter, and any costs, expenses, tax and other statutory contribution in relation to the respective fiscal quarter.

Without the WFOE's prior written consent, our Consolidated Affiliated Entities shall not receive services which are covered by the Exclusive Consulting and Service Agreements from any third party. WFOE is entitled to own all intellectual property rights arising out of the performance of these agreements. Our Consolidated Affiliated Entities agree to pay the entirety of their total income for the services provided by WFOE (net of costs, expenses, taxes and accumulated losses (if any)).

Under the Exclusive Consulting and Service Agreements, our Consolidated Affiliated Entities shall, among others: (i) subject to the relevant PRC laws and regulations, appoint the person recommended by WFOE as their directors or senior management members; and (ii) allow WFOE to inspect their accounts and provide other information including relevant records and data.

The Exclusive Consulting and Service Agreements shall remain effective unless terminated by WFOE with a 30-day prior written notice.

(ii) Exclusive Purchase Option Agreement

Under the exclusive purchase option agreements entered into by Canxing Culture, its Registered Shareholders, the WFOE and each of Beiyi Culture and Canxing Film, the Registered Shareholders/Canxing Culture (as the case may be) irrevocably granted the WFOE an option to purchase or cause any person(s) designated by the WFOE to purchase, to the extent permitted under any applicable PRC laws, a portion of or all of (i) their equity interests in the Consolidated Affiliated Entities (as the case may be) and/or (ii) assets or interests in any of the assets of the Consolidated Affiliated Entities (as the case may be) at any time and from time to time, for a consideration equals to RMB1, or otherwise for the minimum amount of consideration permitted by applicable PRC laws.

Our Group has the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the applicable foreign investment restrictions in relation to the Relevant Businesses will be removed in the future, the likelihood of which our Group was not in a position to know or comment on, as of the Latest Practicable Date. Where such foreign investment restrictions have been relaxed and there exist clear procedures and guidance for our Group to directly hold the maximum permitted interest in the Consolidated Affiliated Entities, our Group will unwind or modify (as the case may be) the Contractual Arrangements such that our Company (or its subsidiary(ies) of which it holds equity interest) will directly hold the maximum percentage of ownership interests permissible in the Consolidated Affiliated Entities, under relevant PRC laws and regulations, through either sino-foreign equity joint ventures or wholly-owned foreign investment entities.

To prevent the flow of the assets and value of the Consolidated Affiliated Entities to its shareholders, pursuant to the Exclusive Purchase Option Agreements, none of the assets and equity interests in the Consolidated Affiliated Entities are to be sold, transferred or otherwise disposed of without the prior written consent of the WFOE. In addition, under the Exclusive Purchase Option Agreements, the Registered Shareholders/Canxing Culture (as the case may be) may not transfer or permit the encumbrance of or allow any guarantee or security to be created on any of its equity interest in our Consolidated Affiliated Entities without the WFOE's prior written consent.

The Registered Shareholders/Canxing Culture (as the case may be) may not receive any profit distribution or dividend from the Consolidated Affiliated Entities without prior written consent from the WFOE. If the WFOE exercises this option, all or any part of the equity interests in the Consolidated Affiliated Entities acquired would be transferred to the WFOE and the benefits of equity ownership would flow to the WFOE and its shareholders.

(iii) Equity Pledge Agreement

Under the equity pledge agreements entered into by the WFOE, Canxing Culture, the Registered Shareholders and each of Beiyi Culture and Canxing Film, the Registered Shareholders/Canxing Culture (as the case may be) agreed to pledge all of their respective equity interests in the Consolidated Affiliated Entities that they legally own to the WFOE as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements and obligations of our Consolidated Affiliated Entities in relation with the Contractual Arrangements.

Under the Equity Pledge Agreements, among other things, the Registered Shareholders/Canxing Culture (as the case may be) have agreed that, without prior written consent of the WFOE, they will not transfer or dispose the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice the WFOE's interest. The Equity Pledge Agreements shall remain valid until two years after all the contractual obligations of the Registered Shareholders/Canxing Culture (as the case may be) and the Consolidated Affiliated Entities under the relevant Contractual Arrangements have been fully performed. The equity pledges under the Equity Pledge Agreements have been duly registered with the relevant PRC authority pursuant to the relevant PRC laws.

(iv) Voting Right Trust Agreement

Under the voting right trust agreements entered into by the WFOE, Canxing Culture, the Registered Shareholders and each of Beiyi Culture and Canxing Film, the Registered Shareholders/Canxing Culture (as the case may be) have irrevocably appointed the WFOE or the person designated by the WFOE or his/her successor (including a liquidator replacing the person designated by the WFOE) as their agent and attorney to act on their behalf on all matters concerning the Consolidated Affiliated Entities and to exercise all of their rights as registered shareholders of the Consolidated Affiliated Entities, including: (i) the right to propose to convene and attend shareholders' meetings; (ii) the right to exercise voting rights on all matters that require discussion and resolution at shareholders' meeting, approve and sign resolutions on behalf of the relevant Registered Shareholders; (iii) the right to submit any required documents to the relevant authorities; and (iv) the right to exercise all shareholder rights under applicable PRC laws and the articles of association.

The Registered Shareholders/Canxing Culture (as the case may be) undertake that the authorization under the Voting Right Trust Agreements will not lead to any actual or potential conflict of interest with WFOE and/or its designee(s). If there is any conflict of interest (subject to WFOE's sole discretion) with WFOE and other members of the Group, the Registered Shareholders/Canxing Culture (as the case may be) shall prioritize to protect and will hold harmless of WFOE. Where the Registered Shareholders are the Directors or senior management of the Company, the rights in relation to the Voting Right Trust Agreements will be granted to our Directors or senior management of our Company who are not the Registered shareholders. The Registered Shareholders/Canxing Culture (as the case may be) shall not take or omit to take any actions which may lead to a conflict of interest with WFOE or its shareholders, nor the Registered Shareholders/Canxing Culture (as the case may be) shall execute any agreement or make any undertaking therein which has the conflict of interest with any agreement signed or being performed between the Consolidated Affiliated Entities, WFOE or its designee(s).

(v) Undertakings from the Individual Registered Shareholders

Each of the individual Registered Shareholders, namely Mr. Tian and Mr. Cao, signed an undertaking, pursuant to which he unconditionally and irrevocably undertakes that (i) his interests do not fall within the scope of communal properties, and his spouse does not have the right to claim any interests in Canxing Culture (together with any other interests therein); (ii) each of them will perform obligations or take any necessary measures to procure the execution of the Contractual Arrangements which do not require authorization or consent from his spouse; and (iii) his successors (including his spouse) will not take any actions that would affect his obligations under the Contractual Arrangements.

(vi) Spousal Undertakings

The spouse of each of the individual Registered Shareholders has signed a spousal undertaking letter, pursuant to which the signed spouses unconditionally and irrevocably undertake their respective spouses' performance under the Contractual Arrangements.

The signed spouses further undertake, among other things, that: (i) any equity interests held by their respective spouse as a Registered Shareholder in Canxing Culture do not fall within the scope of their communal properties; (ii) any necessary measures taken or obligations performed by her spouse to procure the execution of the Contractual Arrangements do not require her authorization or consent; and (iii) each of them will take any necessary measures to procure the execution of the Contractual Arrangements.

Business activities and revenues from the Contractual Arrangements

Substantially all of our Group's total revenue and certain net assets are derived from the Consolidated Affiliated Entities that are subject to the Contractual Arrangements. The total revenue and net assets derived from the Consolidated Affiliated Entities that are subject to the Contractual Arrangements are RMB667.5 million and RMB859.7 million, respectively, during the Reporting Period and RMB1,334.4 million and RMB1,291.4 million, respectively, as of December 31, 2021.

Risks relating to the Contractual Arrangements and actions taken to mitigate the risks (where applicable)

We believe the following risks are associated with our contractual arrangements. Further details of these risks are set out in the "Risk Factors" section of the Prospectus.

(a) If the PRC government determines that the agreements establishing the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, our Group could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our the Consolidated Affiliated Entities.

(b) Substantial uncertainties exist with respect to whether the control of PRC onshore VIEs by foreign investors via contractual arrangements will be recognized as "foreign investment" and how it may impact the viability of our Group's current corporate structure and operations.

(c) Our Group relies on its contractual arrangements for our operations in China, which may not be as effective in providing operational control as direct ownership. The Consolidated Affiliated Entities and/or their Registered Shareholders (as defined herein below) may fail to perform their obligations under the contractual arrangements, which may result in our Group resorting to litigation to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation.

(d) As some of our Group's contractual arrangements may not have fully detailed the parties' rights and obligations, our remedies for a breach of these arrangements may not be guaranteed.

(e) Our Group may not be able to conduct our operations without the services provided by certain of its Consolidated Affiliated Entities.

(f) Our Group may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to it business operations if the Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

(g) The Registered Shareholders (as defined herein below) of our Group's Consolidated Affiliated Entities may have conflicts of interest with it, which may materially and adversely affect its business.

(h) Our Group conducts it business operations in China through the Consolidated Affiliated Entities by way of the contractual arrangements. However, certain terms of the contractual arrangements may not be enforceable under PRC laws and regulations.

(i) The contractual arrangements may subject us to scrutiny by the PRC tax authorities and may result in a finding that our Group owes additional taxes or are ineligible for tax exemptions, or both, which could substantially increase its taxes owed and thereby reduce our profit attributable to equity shareholders of the Company.

(j) If our Group exercises the option to acquire equity ownership and assets of the Consolidated Affiliated Entities, the ownership or asset transfer may subject it to certain limitations and substantial costs.

(k) A transfer of shares in some of the Consolidated Affiliated Entities may trigger tax liability.

Implication under the Listing Rules and Confirmations

Waivers applied for under the Listing Rules

For the purposes of Chapter 14A of the Listing Rules, the consolidated affiliated entities are treated as connected persons of our Company, and as such, the contractual arrangements are considered continuing connected tractions for our Company.

In relation to the contractual arrangements, our Group have applied to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Stock Exchange has granted us, a waiver from (i) strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the contractual arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, under Rule 14A.53 of the Listing Rules for the fees payable to WFOE from the Consolidated Affiliated Entities under the contractual arrangements; and (iii) fixing the term of the contractual arrangements to three years or less under Rule 14A.52 of the Listing Rules for as long as our Shares are listed on the Stock Exchange, subject to certain conditions set out in the Prospectus.

Confirmation from our Independent Non-executive Directors

The aforesaid continuing connected transaction has been reviewed by our independent non-executive Directors. Our independent non-executive Directors confirmed that such continuing connected transaction have been on normal commercial terms and entered into in the ordinary and usual course of business of our Company, and the terms of which are fair and reasonable and in the interests of our Shareholders as a whole.

Confirmation from our Company's Independent Auditor

Our Company's independent auditor Ernst & Young has reviewed the transactions carried out under the Contractual Arrangements in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, and a letter has been sent to the Directors and a copy has been sent to the Hong Kong Stock Exchange to confirm that the transactions have been approved by the Directors and has been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

During the Reporting Period, save as disclosed in "Continuing Connected Transactions" of this annual report, no related party transactions disclosed in Note 35 to the financial statements constituted a connected transaction or continuing connected transaction that should be disclosed pursuant to the Listing Rules. Our Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to these continuing connected transactions entered into by our Group during the Reporting Period.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

Our Company's Shares were listed on the Stock Exchange on December 29, 2022. Net proceeds from the Listing (including the partial exercise of the over-allotment option) of HK$317.9 million (equivalent to RMB284.0 million), after deducting the underwriting commissions, fees and expenses payable by us in connection with the Listing, will be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Set out below is the status of use of proceeds from the Global Offering by the Group.

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Utilized for the year ended December 31, 2022 (HK$ million)	Unutilized amount as at December 31, 2022 (HK$ million)
(1) To fund our Company's IP production and operations	**80.0**	**254.3**	**0**	**254.3**
(i) To fund our Company's variety program IP creation and operation;	**70.0**	**222.5**	**0**	**222.5**
(ii) To fund our Company's music IP production and operation;	**4.0**	**12.7**	**0**	**12.7**
(iii) To fund our Company's film and drama series IP production and operation;	**4.0**	**12.7**	**0**	**12.7**
(iv) To fund the purchase and upgrade of equipment, hardware and software for our Company's technical team, production team and short-video team.	**2.0**	**6.4**	**0**	**6.4**
(2) To expand our Company's audience reach to provide better customer service and build our Company's established entertainment IP Industry value chain.	**20.0**	**63.6**	**0**	**63.6**
Total	**100%**	**317.9**	**0**	**317.9**

From the Listing Date up to the Latest Practicable Date, there was no change in the intended use of net proceeds as disclosed in the Prospectus. Our Company will gradually apply the remaining net proceeds in the manner set out in the Prospectus. See "Future Plans and Use of Proceeds" section of the Prospectus for further details.

CORPORATE GOVERNANCE

Our Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by our Company is set out in the Corporate Governance Report on page 52 of this annual report.

AUDIT COMMITTEE

Our Audit Committee has, together with the senior management of our Company, reviewed the accounting principles and policies adopted by our Group and the consolidated financial statements for the year ended December 31, 2022.

AUDITOR

The consolidated financial statements of our Group have been audited by Ernst & Young, Certified Public Accountants and Registered Public Interest Entity Auditor, who will retire and, being eligible, offer themselves for reappointment at our upcoming annual general meeting.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On January 19, 2023, the over-allotment option as described in the Prospectus has been partially exercised. For details, please refer to the announcement of our Company dated January 19, 2023.

Save as disclosed in this annual report, no important events affecting our Company occurred since the end of the Reporting Period and up to the Latest Practicable Date.

By the order of our Board of Directors
Mr. Tian Ming
Chairman and Chief Executive Officer

Hong Kong
March 28, 2023

Directors and Senior Management

Our Board consists of five executive Directors, one non-executive Director and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Tian Ming (田明), aged 53, is the chairman of our Board, executive Director and chief executive officer of our Company. Mr. Tian has been the director and general manager of Canxing Culture since April 2011. In addition, Mr. Tian also serves as directors of major subsidiaries and operating entities including Star China International Media Co., Ltd. and Fortune Star Media Limited. Prior to joining our Group, Mr. Tian held directorships and positions at various well recognized media companies. From September 2010 to May 2011, he successively served as the deputy director and the director of variety programs department of Shanghai Dragon Media Group Limited (上海東方傳媒集團有限公司), a multimedia group in China and concurrently served as the director and the general manager of Dragon Television (東方衛視), a Chinese satellite TV network. Mr. Tian successively served as a deputy director of chief editor office, the editor-in-chief of entertainment channel, the director of variety programs department of Shanghai Media Group (上海文廣新聞傳媒集團), the deputy director and director of Shanghai Dragon Television (上海東方電視台), a Chinese TV channel, and the general manager of Shanghai Dragon Television Media Limited (上海東方衛視傳媒有限公司), from March 2003 to September 2010. From November 2004 to August 2006, he worked concurrently at Shanghai Dongfang Zhixing Culture Development Co., Ltd. (上海東方之星文化發展有限公司), where he served as its general manager. From December 1992 to March 2003, Mr. Tian served as a reporter and a deputy director of news center of Shanghai Dragon Television (上海東方電視台). Mr. Tian obtained a bachelor's degree in journalism from Fudan University (復旦大學) in the PRC in July 1991, and a doctorate degree in journalism and communications from Fudan University in January 2006.

Mr. Jin Lei (金磊), aged 46, is an executive Director of our Company. Mr. Jin joined our Group as a deputy general manager of Canxing Culture in June 2011. Prior to joining our Group, from October 2009 to June 2011, he worked at Dragon Television as a deputy general manager and a member of Communist Party Committee at Shanghai New Entertainment Media Limited (上海新娛傳媒有限公司). Before that, he worked as a deputy director of variety programs department and a member of Communist Party Committee at Shanghai Media Group from November 2005 to October 2009. From August 1997 to November 2005, he worked at Dragon Television as a scenarist, and a producer and director assistant of music channel. Mr. Jin obtained a bachelor's degree in international journalism from Shanghai International Studies University (上海外國語大學) in the PRC in June 1997.

Mr. Xu Xiangdong (徐向東), aged 58, is an executive Director of our Company. Mr. Xu joined our Group as a deputy general manager of Canxing Culture in June 2011. Prior to joining our Group, from October 2009 to June 2011, he served as a deputy director of Dragon Television. From December 2005 to October 2009, Mr. Xu served successively as a deputy director and producer of variety programs department at Shanghai Media Group and deputy director of Dragon Television. Before that, he served as a scenarist and producer of Shanghai Dragon Television from January 1996 to December 2005. Mr. Xu obtained a bachelor's degree in literature from Shanghai University (上海大學) in the PRC in July 1985.

Mr. Lu Wei (陸偉), aged 46, is an executive Director of our Company. Mr. Lu joined our Group as vice president of Canxing Culture in June 2011. Prior to joining our Group, Mr. Lu worked as the principal of entertainment news channel of Shanghai Media Group from December 2005 to May 2011. Before that, he was a reporter of Shanghai Dragon Television from July 1999 to December 2005. Mr. Lu obtained a bachelor's degree in journalism from Fudan University in the PRC in July 1999.

Ms. Wang Yan (王艷), aged 49, is an executive Director, our joint company secretary, and the chief financial officer of our Company. Ms. Wang has been a director and the chief financial officer of Canxing Culture since March 2015. In addition, Ms. Wang also serves as directors of certain major subsidiaries and operating entity including Star China International Media Co., Ltd. and Fortune Star Media Limited. From March 2013 to February 2015, she worked at Shanghai Yuyuan Jewelry Fashion Group Co., Ltd. (上海豫園珠寶時尚集團有限公司), a fashion jewelry company, where she served as the chief financial officer and the deputy chief executive officer from March 2013 to December 2014. Before that, Ms. Wang served as the deputy head of preparatory team for Yuyuan Jewelry Fashion Group from December 2012 to March 2013. From November 2008 to November 2011, Ms. Wang worked as a director, the chief financial officer and board secretary of Sanjiang Shopping Club Co., Ltd. (三江購物俱樂部股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601116). Prior to that, she worked as a researcher at Institute for China Finance Research of China Europe International Business School (中歐國際工商學院中國金融研究中心) from March 2005 to July 2008. Ms. Wang obtained a master's degree in enterprise management from Shanghai International Studies University (上海外國語大學) in March 2005 and a bachelor's degree in management information system from Shanghai University of Finance and Economics (上海財經大學) in July 1995. Ms. Wang has been a Certificate Public Accountant since February 2003.

Non-executive Director

Mr. Lee Wei Choy, aged 48, is a non-executive Director of our Company. Mr. Lee is a partner and currently serves as the chief operating offer of CMC Capital Group, a leading equity investment firm with a focus on entertainment, technology and consumer sectors with presence in Shanghai, Beijing and Hong Kong. Currently, he is also appointed as a director of numerous private portfolio companies of CMC Capital Group. Mr. Lee joined CMC Capital Group in January 2016. Prior to that, he served as the investment director of Pavilion Capital International Pte Ltd. from November 2012 to November 2015. Mr. Lee obtained a bachelor's degree in engineering from National University of Singapore in Singapore in August 1999.

Independent Non-executive Directors

Mr. Li Liangrong (李良榮), aged 76, is an independent non-executive Director of our Company. Mr. Li has been serving as the principal of the school of journalism and communication of Zhejiang University of Media (浙江傳媒學院) since March 2019. He held various positions at Fudan University including serving as the principal at the International Communication Institution of Fudan University, a professor since 1993, a doctoral supervisor of journalism school since 1994, and a deputy dean of journalism school from 1987 to 1993. Mr. Li has been working as a lecturer at Fudan University since 1982. Mr. Li obtained a master's degree and a bachelor's degree in journalism from Fudan University in the PRC in July 1982 and July 1968, respectively.

Mr. Chen Rehao (陳熱豪), aged 54, is an independent non-executive Director of our Company. Mr. Chen had been serving in various positions at Shanghai Gongxin Zhongnan Accountant Co., Ltd. (上海公信會計師事務所有限公司) since April 1996 including its executive director, senior accountant and manager and is currently the chairman of the board of Shanghai Gongxin Zhongnan Accountant Co., Ltd.. Mr. Chen obtained an executive master's degree in business administration from Nankai University (南開大學) in the PRC in June 2014 and graduated from Zhengzhou University of Aeronautics (鄭州航空學院) in the PRC with a bachelor's degree in economics in July 1992. Mr. Chen has been admitted as a member of the Chinese Institute of Certified Public Accountants. Mr. Chen possesses appropriate professional accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules and confirms that he has gained such expertise through his experiences.

Mr. Sheng Wenhao (盛文灝), aged 55, is the independent non-executive Director of our Company. Mr. Sheng has been the chairman of the board and the general manager of Theland New Cloud (Shanghai) Digimart Limited (紐仕蘭新雲(上海)電子商務有限公司), a company engaged in the import of dairy products, and a director of Pengdu Agriculture & Animal Husbandry Co., Ltd. (鵬都農牧股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 002505), from June 2015 to May 2020. He also served as the vice president of Shanghai Jiaoda Onlly Co., Ltd. (上海交大昂立股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600530) until February 2015. Mr. Sheng obtained an executive master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in March 2001.

SENIOR MANAGEMENT

Mr. Tian Ming (田明), aged 53, is the chairman of our Board, executive Director and chief executive officer of our Company. Please refer to the above section for his biography.

Mr. Jin Lei (金磊), aged 46, is our Company's executive Director and vice president. Please refer to the above section for his biography.

Mr. Xu Xiangdong (徐向東), aged 58, is our Company's executive Director and vice president. Please refer to the above section for his biography.

Mr. Lu Wei (陸偉), aged 46, is our Company's executive Director and vice president. Please refer to the above section for his biography.

Ms. Wang Yan (王艷), aged 49, is our Company's executive Director, chief financial officer and joint company secretary. Please refer to the above section for her biography.

Mr. Cao Zhigao (曹志高), aged 57, and joined our Group as chief operating officer of Canxing Culture in April 2011. Prior to joining our Group, he worked at Shanghai Youlian Advertising Co., Ltd. (上海友聯廣告有限公司) from March 2000 to December 2001, Shanghai Tianchuan Advertising Co., Ltd. (上海天傳廣告有限公司) from January 2002 to August 2005, Shanghai Tianhe Communication Advertisement Co., Ltd. (上海天禾互動廣告有限公司) from August 2005 to December 2005, and Shanghai Aikang Advertisement Co., Ltd. (埃康廣告(上海)有限公司) from June 2010 to August 2010. Mr. Cao obtained a bachelor's degree in Chinese language and literature from Southwest Normal Education University (西南師範大學) in the PRC in July 1985.

JOINT COMPANY SECRETARIES

Ms. Wang Yan (王艷), see "－Directors – Executive Directors" in this section.

Ms. Leung Wing Han Sharon (梁頴嫻), is a joint company secretary of our Company. Ms. Leung is currently a director of Corporate Services of Tricor Services Limited. Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She is also a member of the Hong Kong Institute of Certified Public Accountants.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of our Company or Any of Its Associated Corporations

As of December 31, 2022, the interests and short positions of the Directors and chief executives of our Company's Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in our Company

Name of Director	Capacity/Nature of interest	Number of ordinary Shares	Approximate percentage of holding[3]	Long position/ Short position
Mr. Tian Ming	Interest in controlled corporations; interest held jointly with other persons[1][2]	316,206,377	79.42%	Long position
	Interest in controlled corporation[4]	406,800	0.10%	Short position
Mr. Jin Lei	Interest in controlled corporations; interest held jointly with other persons[1][2]	316,206,377	79.42%	Long position
Mr. Xu Xiangdong	Interest in controlled corporations; interest held jointly with other persons[1][2]	316,206,377	79.42%	Long position

Notes:

(1) As of December 31, 2022, the ultimate controlling shareholders of our Company are Chinese Culture, Mr. Tian Ming, Mr. Jin Lei and Mr. Xu Xiaodong (together the "**Ultimate Controlling Shareholders**").

(2) As of December 31, 2022, Unionstars is owned as to 7.53%, 17.64%, 34.18% and 40.65% by East Brothers, Goldenbroad, Beamingstars and Harvest Sky, respectively. East Brothers is owned as to 81.76%, 6.22% and 12.02% by Mr. Tian Ming, Mr. Jin Lei and Mr. Xu Xiangdong, respectively. Goldenbroad is wholly-owned by Mr. Jin Lei. Beamingstars is owned as to 51.99% and 48.01% by SH Zhihua and Harvest Sky, respectively. Harvest Sky is wholly-owned by Mr. Tian Ming. SH Zhihua is wholly-owned by CMC (Shanghai). CMC (Tianjin) is the general partner of CMC (Shanghai). Pursuant to a joint control agreement dated 3 August 2021 entered into by and among our Ultimate Controlling Shareholders and each of Unionstars, East Brothers, Goldenbroad, Beamingstars, Harvest Sky, Mr.Tian Ming, Mr. Jin Lei, Mr. Xu Xiangdong, SH Zhihua, CMC (Shanghai) and CMC (Tianjin)(together, the "**Controlling Group Entities**"), each of the Controlling Group Entities agreed to vote unanimously at board meetings and general meetings (as applicable) at all levels along the control chain to jointly exercise control over our Company. Therefore, each of the Controlling Group Entities is deemed to be interested in the 236,465,996 Shares held by Unionstars and the 79,740,381 Shares held by Harvest Sky under the SFO. For further details, see "History, Reorganization and Corporate Structure – Reorganization – Offshore Restructuring **–** Step 5. Signing of the Joint Control Agreement" of the Prospectus.

(3) The calculation is based on the total number of 398,131,368 Shares in issue as of December 31, 2022.

(4) Harvest Sky is wholly-owned by Mr. Tian Ming. On January 19, 2023, our Company announced that the Over-allotment Option described in the Prospectus was partially exercised to facilitate the return to Harvest Sky all 406,800 Shares borrowed under the Stock Borrowing Agreement which were used to cover the over-allocation under the International Offering. Listing of and dealings in the additional 406,800 Shares commenced on the Stock Exchange on January 27, 2023.

Interest in our associated corporations

Name of Director	Capacity/Nature of interest	Associated Corporations	Approximate Percentage of Shareholding[(1)]	Long position/ Short position
Mr. Tian Ming	Interest in a controlled corporation	Shaanxi Star Shuolan Real Estate Co., Ltd	100.0%[(2)]	Long position
	Interest in a controlled corporation	Shaanxi Star Yuanlv Real Estate Co., Ltd.	100.0%[(3)]	Long position
	Beneficial interest	Canxing Culture	1.77%	Long position
	Interest in a controlled corporation		23.09%[(4)]	Long position
	Interest in a controlled corporation; interest held jointly with other persons		73.71%[(5)]	Long position
Mr. Jin Lei	Interest in a controlled corporation; interest held jointly with other persons	Canxing Culture	73.71%[(5)]	Long position
Mr. Xu Xiangdong	Interest in a controlled corporation; interest held jointly with other persons	Canxing Culture	73.71%[(5)]	Long position

Notes:

(1) To the best knowledge of the Company, as of the Latest Practicable Date and based on publicly available information.

(2) As of December 31, 2022, Shaanxi Star Shuolan Real Estate Co., Ltd. was owned as to 60% by SH Zhouxing Investment Co., Ltd., a company wholly-owned by Mr. Tian Ming and 40% by Qinhan New City Star Chinese Culture Media Co., Ltd., a wholly-owned subsidiary of our Company in which Mr. Tian Ming controlled more than one-third of voting power, respectively. Therefore Mr. Tian Ming is deemed to be interested in the Shares in Shaanxi Star Shuolan Real Estate Co., Ltd. held by SH Zhouxing Investment Co., Ltd. and the Shares in Qinhan New City Star Chinese Culture Media Co., Ltd. held by our Company under the SFO.

(3) As of December 31, 2022, Shaanxi Star Yuanlv Real Estate Co., Ltd. was owned as to 60% by SH Zhouxing Investment Co., Ltd., a company wholly-owned by Mr. Tian Ming and 40% by Qinhan New City Star Chinese Culture Media Co., Ltd., a wholly-owned subsidiary of our Company in which Mr. Tian Ming controlled more than one-third of voting power, respectively. Therefore Mr. Tian Ming is deemed to be interested in the shares in Shaanxi Star Yuanlv Real Estate Co., Ltd. held by SH Zhouxing Investment Co., Ltd. and the shares in Qinhan New City Star Chinese Culture Media Co., Ltd. held by our Company under the SFO.

(4) As of December 31, 2022, SH Zhouxing Investment Co., Ltd. was wholly-owned by Mr. Tian Ming. Therefore Mr. Tian Ming is deemed to be interested in the shares in Canxing Culture held by SH Zhouxing Investment Co., Ltd. under the SFO.

(5) Each of Mr. Tian Ming, Mr. Jin Lei, and Mr. Xu Xiangdong is a party to the Canxing JCA. See "History, Reorganization and Corporate Structure – Reorganization" of the Prospectus. In light of the Canxing JCA, each of Mr. Tian Ming, Mr. Jin Lei and Mr. Xu Xiangdong is deemed to be interested in the shares in Canxing Culture held by SH Xingtou under the SFO. For further details, see "History, Reorganization and Corporate Structure – Our History and Corporate Development – Entering into the Canxing JCA and Joint-stock Reform" of the Prospectus.

Save as disclosed above, as of December 31, 2022, none of our Directors or chief executives of our Company had or was deemed to have any interests or short positions in our Shares, underlying shares or debentures of our Company or any of its associated corporations.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As of December 31, 2022, so far as our Directors are aware, the following parties (other than our Directors or chief executives of our Company) had interests or short positions in our Shares or underlying Shares of our Company as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary Shares	Approximate percentage of holding[(5)]	Long position/ Short position
Unionstars[(1)(2)]	Beneficial interest	236,465,996	59.39%	Long position
	Interest held jointly with other persons	79,740,381	20.03%	Long position
Harvest Sky[(1)(2)(6)]	Beneficial interest	79,740,381	20.03%	Long position
	Interest in a controlled corporation; interest held jointly with other persons	236,465,996	59.39%	Long position
	Beneficial interest	406,800	0.10%	Short position

Name of Shareholder	Capacity/Nature of interest	Number of ordinary Shares	Approximate percentage of holding[5]	Long position/ Short position
Mr. Tian Ming[1][2][3]	Interest in a controlled corporation; interest held jointly with other persons	316,206,377	79.42%	Long position
East Brothers[1][2]	Interest in a controlled corporation; interest held jointly with other persons	316,206,377	79.42%	Long position
Goldenbroad[1][2]	Interest in a controlled corporation; interest held jointly with other persons	316,206,377	79.42%	Long position
Beamingstars[1][2]	Interest in a controlled corporation; interest held jointly with other persons	316,206,377	79.42%	Long position
Mr. Jin Lei[1][2]	Interest in a controlled corporation; interest held jointly with other persons	316,206,377	79.42%	Long position
Mr. Xu Xiangdong[1][2]	Interest in a controlled corporation; interest held jointly with other persons	316,206,377	79.42%	Long position
SH Zhihua[1][2]	Interest in a controlled corporation; interest held jointly with other persons	316,206,377	79.42%	Long position
CMC (Shanghai)[1][2]	Interest in a controlled corporation; interest held jointly with other persons	316,206,377	79.42%	Long position
CMC (Tianjin)[1][2]	Interest in a controlled corporation; interest held jointly with other persons	316,206,377	79.42%	Long position
Tibet Yuanhe Enterprise Management Co., Ltd.[3][4]	Beneficial interest	21,851,163	5.49%	Long position
Zhefu Group[3][4]	Interest in a controlled corporation	21,851,163	5.49%	Long position

Notes:

(1) As of December 31, 2022, the Ultimate Controlling Shareholders of our Company are Chinese Culture, Mr. Tian Ming, Mr. Jin Lei and Mr. Xu Xiaodong.

(2) As of December 31, 2022, Unionstars is owned as to 7.53%, 17.64%, 34.18% and 40.65% by East Brothers, Goldenbroad, Beamingstars and Harvest Sky, respectively. East Brothers is owned as to 81.76%, 6.22% and 12.02% by Mr. Tian Ming, Mr. Jin Lei and Mr. Xu Xiangdong, respectively. Goldenbroad is wholly-owned by Mr. Jin Lei. Beamingstars is owned as to 51.99% and 48.01% by SH Zhihua and Harvest Sky, respectively. Harvest Sky is wholly-owned by Mr. Tian Ming. SH Zhihua is wholly-owned by CMC (Shanghai). CMC (Tianjin) is the general partner of CMC (Shanghai). Pursuant to a joint control agreement dated 3 August 2021 entered into by and among our Company's Controlling Group Entities agreed to vote unanimously at board meetings and general meetings (as applicable) at all levels along the control chain to jointly exercise control over our Company. Therefore, each of the Controlling Group Entities is deemed to be interested in the 236,465,996 Shares held by Unionstars and the 79,740,381 Shares held by Harvest Sky under the SFO. For further details, see "History, Reorganization and Corporate Structure – Reorganization – Offshore Restructuring – Step 5. Signing of the Joint Control Agreement" of the Prospectus.

(3) Tibet Yuanhe Enterprise Management Co., Ltd. (西藏源合企業管理有限公司) ("**Tibet Yuanhe**'), a company established in the PRC on August 31, 2015 and one of our Pre-IPO investors. For further details, see "History, Reorganization and Corporate Structure – Reorganization – Pre-IPO Investments – Information about the Pre-IPO Investors" of the Prospectus.

(4) As of December 31, 2022, Tibet Yuanhe was wholly-owned by Zhefu Holding Group Co., Ltd. (浙富控股集團股份有限公司) ("**Zhefu Group**"). Therefore Zhefu Group is deemed to be interested in the Shares held by Tibet Yuanhe under the SFO.

(5) The calculation is based on the total number of 398,131,368 Shares in issue as of December 31, 2022.

(6) Harvest Sky is wholly-owned by Mr. Tian Ming. On January 19, 2023, our Company announced that the Over-allotment Option described in the Prospectus was partially exercised to facilitate the return to Harvest Sky all 406,800 Shares borrowed under the Stock Borrowing Agreement which were used to cover the over-allocation under the Global Offering. Listing of and dealings in the additional 406,800 Shares commenced on the Stock Exchange on January 27, 2023.

Save as disclosed above, as of December 31, 2022 based on publicly available information, no other person (other than our Directors or chief executives of our Company) had an interest or short position in the Shares or underlying Shares of our Company which were required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept under section 336 of the SFO.

Corporate Governance Report

Our Board of Directors is pleased to report to the Shareholders on the corporate governance of our Company for the year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

Our Board is committed to achieving 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, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

Our Company has adopted the principles and code provisions of the CG Code as contained in Appendix 14 of the Listing Rules on the Stock Exchange as the basis of our Company's corporate governance practices. Our Company has also applied the principles of the CG Code on our corporate governance structure and operation in the manner as stated in this report, and will always and has complied with all applicable code provisions of the CG Code for the Reporting Period. Our Company will continue to review and oversee the corporate governance practices to ensure its compliance with the CG Code.

Code provision C.2.1 of the CG Code recommends that the roles of chairman and chief executive officer to be separate and not be performed by the same individual. 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 Ming 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 Ming 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 our Group implemented, 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.

Saved as disclosed above, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, our Directors are not aware of any deviation from code provisions in the CG Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

Our Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions.

Specific enquiry has been made of all of our Directors and our Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date (i.e. December 29, 2022, being the date on which the Shares were listed on the Stock Exchange) to December 31, 2022.

Our Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who, because of such office or employment, are likely to possess inside information in relation to our Company or our securities. The Employees Written Guidelines stipulate that insiders should not deal with the securities of our Company or should report his/her securities transactions in advance. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by our Company.

BOARD OF DIRECTORS

Our Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting our Company's success by directing and supervising our Company's affairs. Directors take decisions objectively in the best interests of our Company.

Our Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of our Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to our Company and whether our Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. Our Board includes a balanced composition of executive Directors and non-executive Director (including independent non-executive Directors) so that there is a strong independent element on our Board, which can effectively exercise independent judgement.

Board Composition

The Board currently comprises the following 9 Directors:

Executive Directors

Mr. Tian Ming *(Chairman of the Board and Chief Executive Officer)*
Mr. Jin Lei
Mr. Xu Xiangdong
Mr. Lu Wei
Ms. Wang Yan

Non-executive Director

Mr. Lee Wei Choy

Independent Non-executive Directors

Mr. Li Liangrong
Mr. Chen Rehao
Mr. Sheng Wenhao

The biographical information of our Directors and the relationships between our Directors are set out in the section headed "Directors and Senior Management" of this annual report. Save as disclosed above, none of our Directors has any relationships (including financial, business, family or other material/relevant relationship(s)) between our Board members and in particular, between the chairman and the chief executive of our Company.

Directors' Attendance Records

The attendance record of each Director at Board meetings, Board Committee meetings and general meetings of our Company held during the period from the Listing Date to the end of the Reporting Period is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	**Board[(1)]**	**Audit Committee[(1)]**	**Remuneration Committee[(1)]**	**Nomination Committee[(1)]**	**Annual General Meeting[(2)]**	**Other General Meetings (if any)[(2)]**
Executive Directors						
Mr. Tian Ming	0/0	0/0	0/0	0/0	0/0	0/0
Mr. Jin Lei	0/0	0/0	0/0	0/0	0/0	0/0
Mr. Xu Xiangdong	0/0	0/0	0/0	0/0	0/0	0/0
Mr. Lu Wei	0/0	0/0	0/0	0/0	0/0	0/0
Ms. Wang Yan	0/0	0/0	0/0	0/0	0/0	0/0
Non-executive Director						
Mr. Lee Wei Choy	0/0	0/0	0/0	0/0	0/0	0/0
Independent Non-executive Directors						
Mr. Li Liangrong	0/0	0/0	0/0	0/0	0/0	0/0
Mr. Chen Rehao	0/0	0/0	0/0	0/0	0/0	0/0
Mr. Sheng Wenhao	0/0	0/0	0/0	0/0	0/0	0/0

Notes:

(1) Code provision C.5.1 of the CG Code recommend that our Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. Our company recently listed on the Stock Exchange on December 29, 2022, from which date our CG Code commenced. Since the Listing Date and until the end of the Reporting Period, we had not held any Board meetings or Board committee meetings. Nevertheless, our Board has been in regular communication with one another and, going forward, will continue to meet regularly to update themselves on our Company's affairs.

(2) No annual general meeting was held during the period from the Listing Date to the end of the Reporting Period.

Apart from regular Board meetings, our Chairman also held one meeting with our independent non-executive Directors without the presence of other Directors during the year.

Our independent non-executive Directors and non-executive Director have attended general meetings of our Company to gain and develop a balanced understanding of the view of the Shareholders.

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Responsibilities, Accountabilities and Contributions of the Board and Management

Our Board should assume responsibility for leadership and control of our Company; and is collectively responsible for directing and supervising our Company's affairs.

Our Board directly, and indirectly through our committees, leads and provides direction to management by laying down strategies and overseeing our implementation, monitors our Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to our Board for its efficient and effective functioning. Our independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of our Company and providing a balance in our Board for bringing effective independent judgement on corporate actions and operations.

Our Directors have full and timely access to all the information of our Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties for our Company.

Our Directors shall disclose to our Company details of other offices held by them.

Our Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of our Company. Responsibilities relating to implementing decisions of our Board, directing and co-ordinating the daily operation and management of our Company are delegated to our management.

Our Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors arising out of corporate activities. The insurance coverage would be reviewed on an annual basis. See also "Permitted Indemnity" on page 24 of this annual report.

Chairman and Chief Executive Officer

The position of chairman and chief executive officer are held by Mr. Tian Ming. Please refer to the section headed "Corporate Governance Practices" for details.

Independent Non-executive Directors

During the period from the Listing Date to December 31, 2022, our Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of our Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Our Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Our Company is of the view all independent non-executive Directors are independent.

Continuous Professional Development of Directors

Our Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to our Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of our Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Our Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

During the year ended December 31, 2022, our Company organized training sessions conducted by the Cooley HK, our former legal advisor as to Hong Kong law during our listing application, on directors' duties, responsibilities and obligations under the Listing Rules and the SFO.

The training records of our Directors for the year ended December 31, 2022 and up to date of this annual report are summarized as follows:

Directors	**Type of Training**[Note]
Executive Directors	A/B
Mr. Tian Ming	A/B
Mr. Jin Lei	A/B
Mr. Xu Xiangdong	A/B
Mr. Lu Wei	A/B
Ms. Wang Yan	
Non-Executive Director	A/B
Mr. Lee Wei Choy	
Independent Non-executive Directors	
Mr. Li Liangrong	A/B
Mr. Chen Rehao	A/B
Mr. Sheng Wenhao	A/B

Note:

Types of Training

A: Attending training sessions, including but not limited to briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

Our Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of our Company's affairs. All Board committees of our Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on our Company's website and the Stock Exchange's website.

Audit Committee

Our Audit Committee consists of three members, all being independent non-executive Directors, namely Mr. Chen Rehao, Mr. Li Liangrong and Mr. Sheng Wenhao. Mr. Chen Rehao is the chairman of our Audit Committee.

The primary duties of our Audit Committee include, among others: -

(1) to review our compliance, accounting policies and financial reporting procedures;

(2) to review the risk management and internal control systems of our Company;

(3) to review the effectiveness of our Company's internal audit function;

(4) to supervise the implementation of our internal audit system;

(5) to advise on the appointment or replacement of external auditors;

(6) to liaise between our internal audit department and external auditors; and

(7) to review other responsibilities as authorized by our Board.

The written terms of reference of our Audit Committee are available on the websites of the Stock Exchange and our Company.

As our Company's Shares were listed on the Stock Exchange on December 29, 2022, no Audit Committee meeting was held during the Reporting Period. From the Listing Date and up to the Latest Practicable Date, our Audit Committee has held one meeting to review the annual financial results and reports for 2022 financial year, the continuing connected transactions of our Group, the significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, the appointment of external auditor and engagement of non-audit services and relevant scope of works, and the arrangements for employees to raise concerns about possible improprieties.

Our Audit Committee has also met twice with the external auditor without the presence of our executive Directors.

Remuneration Committee

Our Remuneration Committee consists of three members, namely Mr. Li Liangrong (independent non-executive Director), Mr. Chen Rehao (independent non-executive Director) and Mr. Jin Lei (executive Director). Mr. Li Liangrong is the chairman of our Remuneration Committee.

The primary duties of our Remuneration Committee include, among others: -

(1) to make recommendations to our Board on our Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(2) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(3) to make recommendations to our Board on the remuneration packages of individual executive Directors and senior management of our Company (i.e. code provision E.1.2(c)(ii) of the CG Code is adopted);

(4) to make recommendations to our Board on the remuneration of non-executive Directors;

(5) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our Group;

(6) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with such contractual terms and is otherwise fair and not excessive;

(7) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(8) to review and/or approve matters relating to share schemes described under Chapter 17 of the Listing Rules; and

(9) to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

The written terms of reference of our Remuneration Committee are available on the websites of the Stock Exchange and our Company.

As our Company's Shares were listed on the Stock Exchange on December 29, 2022, no Remuneration Committee meeting was held during the Reporting Period. From the Listing Date and up to the Latest Practicable Date, our Remuneration Committee has held one meeting to report to our Board on the remuneration packages of individual executive Directors and senior management, review and make recommendations to our Board on the remuneration of non-executive Directors, and to review and make recommendations to the Board on our Company's policy and structure for the remuneration of all Directors and senior management.

Details of our Directors' remuneration for the year ended December 31, 2022 are set out in Note 8 to the financial statements.

The remuneration of non-director and non-chief executive during the Reporting Period falls within the following bands:

Band of remuneration	**Number of individuals**
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
HK$4,000,001 to HK$4,500,000	0

Our Company offers executive Directors and senior management members, who are also employees, compensation in the form of salaries, bonus, social security plans, housing provident fund plans and other benefits. Our independent non-executive Directors receives compensation based on their responsibilities while the non-executive Director is not entitled to any remuneration.

Nomination Committee

Our Nomination Committee consists of three members, namely Mr. Tian Ming (chairman of our Board and executive Director), Mr. Li Liangrong (independent non-executive Director) and Mr. Chen rehao (independent non-executive Director). Mr. Tian Ming is the chairman of our Nomination Committee.

The primary duties of our Nomination Committee include, among others: -

(1) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of our Board at least annually and make recommendations on any proposed changes to our Board to complement the Company's corporate strategy;

(2) to make recommendations to our Board on the appointment or re-appointment of directors and succession planning for directors (in particular the chairman or chairlady and the chief executive);

(3) to make recommendations to our Board on relevant matters relating to the appointment and re-appointment of our Directors;

(4) to assess the independence of independent non-executive Directors; and

(5) to review the policy on Board diversity (the "**Board Diversity Policy**") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by our Board from time to time and to review the progress on achieving the objectives; and to make disclosures of its progress its review results in the annual report of our Company annually.

As our Company's Shares were listed on the Stock Exchange on December 29, 2022, no Nomination Committee meeting was held during the Reporting Period. From the Listing Date and up to the Latest Practicable Date, the Nomination Committee has held one meeting to review the structure, size and composition of our Board, assess the independence of the independent non-executive Directors and consider the qualifications of the retiring Directors standing for election at the forthcoming annual general meeting, and to recommend to our Board on any measurable objectives for implementing the Board diversity policy.

Our Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of our Nomination Committee will then be put to our Board for decision.

The written terms of reference of our Nomination Committee are available on the websites of the Stock Exchange and our Company.

Board Diversity Policy

Our Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at our Board level as an essential element in maintaining our Company's competitive advantage.

Pursuant to our Board Diversity Policy, our Nomination Committee reviews regularly the structure, size and composition of our Board and where appropriate, make recommendations on changes to our Board to complement our Company's corporate strategy and to ensure that our Board maintains a balanced diverse profile. In relation to reviewing and assessing our Board composition, our Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, ethnicity, language, cultural and educational background, industry experience and professional experience.

Our Company aims to maintain an appropriate balance of diversity perspectives that are relevant to our Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from our Board downwards) are appropriately structured so that a diverse range of candidates are considered.

Our Nomination Committee is responsible for reviewing our Board Diversity Policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving the objectives.

An analysis of our Board's current composition based on the measurable objectives is set out below:

Gender	**Age Group**
Male: 8 Directors Female: 1 Director	41-50: 4 Directors 51-60: 4 Directors 61-70: 0 Director 70-80: 1 Director

Designation	**Educational Background**
Executive Directors: 5 Directors Non-executive Director: 1 Director Independent non-executive Directors: 3 Directors	Business Administration: 2 Directors Account and Finance: 2 Directors Legal: 0 Directors Other: 5 Directors

Nationality	**Business Experience**
Chinese: 8 Directors Singaporean: 1 Director	Accounting & Finance: 3 Directors Legal: 0 Directors EXPERIENCE RELATED TO THE COMPANY'S BUSINESS: 6 Directors

Our Nomination Committee and our Board are of the view that the current composition of our Board has achieved the objectives set in the Board Diversity Policy.

Our Nomination Committee will review our Board Diversity Policy and the measurable objectives at least annually to ensure the continued effectiveness of the Board.

Gender Diversity

Our Company values gender diversity across all levels of our Group. The following table sets out the gender ratio in the workforce of our Group, including our Board and senior management as of the date of this annual report:

	Female	Male
Board	11% (1)	89% (8)
Senior Management	17% (1)	83% (5)
Other employees	59% (208)	41% (144)
Overall workforce	57% (210)	43% (157)

Our Board is currently of the opinion that it generally meets the diversity requirements under the Listing Rules. Yet, our Board will continue to take opportunities to increase the proportion of female Directors and senior management members at least up to 20% by 2026 when suitable candidates are identified. Our Board will review the implementation and effectiveness of the Board Diversity Policy on an annual basis to ensure its continued effectiveness.

Director Nomination Policy

Our Board has delegated our responsibilities and authority for selection and appointment of Directors to our Nomination Committee of our Company.

Our Company has adopted a director nomination policy in relation to our nomination process of directors ("**Director Nomination Policy**") which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of our Company and aims to ensure that our Board has a balance of skills, experience and diversity of perspectives appropriate to our Company and the continuity of our Board and appropriate leadership at Board level.

The nomination process set out in our Director Nomination Policy is as follows:

Nomination Procedures

(i) Our Nomination Committee shall convene committee meetings and invite our Board members to nominate candidates (if any) for the Nomination Committee to consider before convening the meeting. The Nomination Committee may also nominate candidates who have not been nominated by our Board members.

(ii) For the appointment of any director candidate, our Nomination Committee shall conduct adequate due diligence in respect of such candidate and make recommendations to our Board for consideration.

(iii) For the re-appointment of any existing members of our Board, our Nomination Committee shall make recommendations to our Board for consideration.

(iv) For the procedures for Shareholders to nominate any director candidates, please refer to the Procedures for Shareholders to Propose a Person for Election as a Director of our Company on our Company's website.

Our Board shall have the right of final decision on all matters relating to the election of recommended candidates or re-appointed directors at a general meeting.

Our Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to our Board of a proposed candidate, including but not limited to the following:

- Integrity and reputation;
- Educational background, professional qualifications and work experience (including part-time jobs);
- Whether or not they have the necessary knowledge, skills and experience;
- Whether or not they are able to spend sufficient time and energy to handle our Company's affairs;
- Whether or not they will promote the diversity of our Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of office;
- Whether or not the candidates for independent directors meet the requirements for independence under Rule 3.13 of the Listing Rules; and
- Any other relevant factors as determined by our Nomination Committee or the Board from time to time.

During the year ended December 31, 2022, there was no change in the composition of our Board.

Our Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

RISK MANAGEMENT AND INTERNAL CONTROLS

Our Board acknowledges it is the responsibility of the Board for maintaining adequate risk management, internal control systems and internal audit function to safeguard Shareholders' investments and our Company's assets. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the Reporting Period, our Board conducted an annual review on the effectiveness of the risk management and internal control systems of our Company and considered the systems are effective and adequate. The annual review covered, among others, operational risk management, regulatory compliance risk management, legal risk management, the financial reporting and credit risk management, intellectual property rights risks management, information system risk management and human resources risk management.

Operational Risk Management

Our Company recognises that risk management is critical to the success of the business operation. Key operational risks faced by our Company primarily arise from inadequate or failed internal controls and systems, human errors, IT system failures or external events. To ensure effective risk management, we have put in place a detailed risk management policy which sets out the main operational risks and risk control measures of each department within our Company. We conduct risk management evaluation on an annual basis and our internal audit department will report the evaluation results to our Directors for further improvement.

Regulatory Compliance Risk Management

We are subject to extensive and evolving regulatory requirements, including requirements to obtain and renew certain licenses, permits, approvals and certificates for our business operations. In order to manage our ongoing compliance with the laws and regulations applicable to our business effectively, we have implemented several internal control measures. Our legal department is responsible for reviewing and approving contracts, monitoring updates to and changes in laws and regulations applicable to our business and operations. In addition, we require our legal department to review the status of our licenses and permits on a regular basis and ensure we obtain requisite licenses to operate our business and we have the up-to-date understanding with the applicable requirements. Furthermore, we keep abreast of the developments of regulations and policies and keep our directors, management and employees informed of the latest regulatory development during internal meetings on a regular basis. We also engage third-party legal counsels to provide legal support and services.

Legal Risk Management

During our business operations, we have implemented comprehensive internal control measures and policies in managing our legal risks.

Our Company regularly reviews and enhances the internal control system. Below is a summary of the internal control policies, measures and procedures our Company has implemented:

(a) Contract Management. We require our legal department to participate in the whole process of contract negotiation and identify potential legal risks. Our management oversees the performance and fulfillment of the contracts, and are required to address any potential problems identified in a timely manner. In addition, we engage third-party legal counsels to provide legal support and services, including contract review services, legal feasibility analysis for our business plans, and legal-related risk trainings to our legal department and other internal departments.

(b) Artist Participation. We have implemented internal control measures to standardize our performance service contracts with artists who participate in our variety program production. Performance service contracts shall be reviewed and approved by the chief director of the relevant variety programs, the legal department, as well as our chief financial officer or chief executive officer.

(c) Music IP Management. We have implemented internal control measures regarding the production of our music works to avoid potential infringement on third party's intellectual property rights, and have set up task forces within our legal department and music production team to oversee the intellectual property issues during our daily operation. For example, for music works produced in association with our variety programs, the lyrics and music compositions have to be pre-approved by the intellectual property task force within the music production team, which will be responsible for identifying the relevant copyright holders and obtaining their consent, before they can be used in the programs. The task force within our legal team will conduct a comprehensive review on the program and identify any intellectual property issues. In addition, we require our intellectual property task force to conduct review on our variety programs and the music works on an on-going basis after the programs and music works are published. In the event that the task force identifies any potential copyright infringement issues, it will take remedial measures to minimize the risks. Furthermore, we have engaged external legal counsel to (i) provide case support, contract review and legal feasibility analysis with respect to important copyright issues, and (ii) provide our management members, legal department and other relevant departments with trainings on legal risk management, who will communicate important legal compliance requirements to employees through internal meetings.

Financial Reporting and Credit Risk Management

We have established an internal policy to monitor our receivables and working capital on an on-going basis to minimize potential credit risks. Our accounting team performs ongoing credit evaluations of our counterparties and works closely with our legal team and business development team to evaluate the credit worthiness of each customer to minimize the risk of overdue payments. See "Business - Our Customers - Payment Terms and Credit Management" of our Prospectus for more information about our efforts and measures in credit risk management.

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policy and budget management policy. We also have various procedures in place to implement our accounting policies, and our finance department reviews our management accounts based on such procedures. Specifically, we have adopted the Financial Accounting Management Policies (《財務會計管理制度》) and the Major Accounting Process Accounting Reporting Process (《重大會計處理會計報告流程》), which incorporated the relevant requirements under the Listing Rules and have been reviewed by our internal control advisor.

We have also established an internal audit team which will perform internal review over our financial reporting process annually. The scope of work of our internal audit team includes, without limitation, preparing periodic reports for the review of the Audit Committee, proposing appropriate measures in response to risk exposure where necessary, and continuously monitor major risks related to our operations and internal control systems. In addition, we have established an Audit Committee which reviews and oversees the compliance, accounting policies and financial reporting procedures and the implementation of such policies and procedures performed by the internal audit team with appropriate qualifications and adequate experience in internal control and risk management industry.

Intellectual Property Rights Risk Management

We have devoted ourselves to establishing and maintaining intellectual property rights risk management and internal control procedures to protect our intellectual property rights and prevent liabilities resulting from infringement of third-party intellectual property rights. Our legal team is responsible for reviewing and approving contracts and protecting our legal rights, including intellectual property rights. Our legal department also assists our business department in ensuring that all necessary applications or filings for trademark, copyright and patent registrations have been timely made to the competent authorities, and that our intellectual properties are under the protection of relevant laws and regulations. See "Business – Intellectual Property" of our Prospectus for more information about our efforts and measures in intellectual property rights risk management.

Information System Risk Management

Sufficient maintenance, security and protection of our data and other related information are critical to our business. We have implemented various internal procedures and controls to ensure that our data are protected and that leakage and loss of any information is avoided. See "Business – Data Protection and Privacy" of our Prospectus for more information about our efforts and measures in information system risk management.

Human Resources Risk Management

We have in place an employee handbook and a code of conduct which have been distributed to all of our employees. The handbook contains internal rules and guidelines regarding anti-corruption, conflicts of interests, work ethics, confidentiality, data security and intellectual property protection. We provide employees with regular training as well as guidance on the requirements contained in the employee handbook. In particular, we have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our employees to report any bribery and corruption acts on an anonymous basis.

Internal Control Measures Regarding ESG

We have implemented internal control measures to reduce our environmental impact and carbon footprint. For details of internal control measures in relation to our ESG-related issues, see "Business - Environmental, Social and Governance - Environmental Sustainability – Internal Control Measures" of our prospectus.

To improve our risk management and internal control systems, we have engaged an internal control advisor to make recommendations to us on, amongst others, measures over internal compliance, accounting policies, human resources, research and development, information system, and on-going measures to monitor the effectiveness of the policies, procedures and measures of our Company.

Corporate Governance Measures

We have established an Audit Committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The qualifications and experiences for each of the members in the Audit Committee are set out in the section headed "Directors and Senior Management" of our prospectus. During the Listing Date and up to the Latest Practicable Date, our Group has complied with the risk management and internal control provision in Appendix 14 to the Listing Rules.

Our Audit Committee takes lead to ensure that our Board reviews the effectiveness of our Group's risk management and internal control systems and reports at least annually to our Shareholders. The review will cover topics on all material controls, including financial, operational and compliance controls; the adequacy of resources, staff qualifications and experience and training programs; and budget of our Company's accounting, internal audit and financial reporting functions. From the Listing Date and up to the Latest Practicable Date, our Company has conducted the said review and make disclosures in compliance with risk management and internal control provisions pursuant to Appendix 14 to the Listing Rules.

Based on the above, our Directors are of the view that adequate risk management and internal control systems and corporate governance measures are in place for our business operations.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Our Directors acknowledge their responsibility for preparing the financial statements with the support of the accounting and finance team.

Our Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

Our Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon our Company's ability to continue as a going concern/The financial statements of our Company are prepared on a going concern basis, our Directors are of the view that they give a true and fair view of the financial position, performance and cash flow of our Group for the year ended December 31, 2022, and the disclosure of other financial information and report therein complies with relevant legal requirements.

The statement of the external auditors of our Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report of this annual report.

AUDITORS' REMUNERATION

The remuneration paid and payable to the external auditors of our Company in respect of audit services and non-audit services for the year ended December 31, 2022 is set out below:

Service Category	Fees Paid/Payable RMB'000
IPO Services	4,061
Audit Services related to the Group	1,750
Other audit related services	179
Non-audit services	0
Total	5,990

COMPANY SECRETARY

Ms. Wang Yan and Ms. Leung Wing Han Sharon have been appointed as our Company's joint company secretaries. Ms. Wang is the executive Director and chief financial officer of our Company. Ms. Leung is currently a director of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of our joint company secretaries on corporate governance and board practices and matters. Ms. Wang, the other joint company secretary has been designated as the primary contact person at our Company which would work and communicate with Ms. Leung on our Company's corporate governance and secretarial and administrative matters.

For the year ended December 31, 2022, Ms. Wang and Ms. Leung have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

Pursuant to the Article 12.3 of the Articles of Association of our Company, our Board may, whenever it thinks fit, convene an extraordinary general meeting. One or more members (including a member which is a recognized clearing house (or its nominee(s))), holding as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of our Company, shall at all times have the right, by written requisition signed by the requisitionist(s) deposited at the principal office of our Company in Hong Kong or, in the event our Company ceases to have such a principal office, our registered office, to require an extraordinary general meeting to be called for the transaction of any business specified in such requisition and/or add resolutions to the meeting agenda (if any). If our Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by our Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to them by our Company.

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association or the Companies Act of the Cayman Islands regarding procedures for Shareholders to put forward proposals at a general meeting. Shareholders who wish to submit a proposal may request our Company to convene a general meeting in accordance with the procedure set out in the preceding paragraph, to consider the matters specified in the request.

Putting Forward Enquiries to our Board

For putting forward any enquiries to our Board, Shareholders may send written enquiries to our Company. Our Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	17/F, Jiefang Building, No. 300 Hankou Road, Shanghai, PRC (For the attention of the Board of Directors)
Telephone:	+86 2152032888
Fax:	+86 2152032678
Email:	ir@canxingmedia.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Our Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of our Group's business performance and strategies. Our Company is endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of our Company and of the Stock Exchange after each general meeting.

Shareholders' Communication Policy

Our Company has in place a Shareholders' Communication Policy. The policy aims at ensuring our Company's shareholders ("**Shareholders**") are provided with equal and timely access to information about our Company, in order to enable the Shareholders to exercise their rights in an informed manner and to allow them to engage actively with our Company. Our Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

Our Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

Shareholders' enquiries

- Shareholders may at any time make a request for our Company's information to the extent such information is publicly available.

- Shareholders will be provided with designated contacts, email addresses and enquiry telephone number of our Company in order to enable them to make any query in respect of our Company.

Corporate communication

- "Corporate Communication" refers to any document issued or to be issued by our Company for the information or action of the Shareholders, including, but not limited to, the directors' report and annual accounts together with a copy of the auditors' report, the interim report, a notice of meeting, a circular and a proxy form. Corporate communication will be provided to the Shareholders in plain language and in both English and Chinese versions to facilitate the Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

- Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

Corporate website

- A dedicated Investor Relations section is available on the Company's website at www.starcmgroup.com. Information on our Company's website is updated on a regular basis.

- Information released by our Company to the Stock Exchange is also posted on our Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc.

- All presentation materials provided in conjunction with our Company's annual general meeting and results announcement each year will be made available on our Company's website.

- All press releases and Shareholders' newsletters will be made available on our Company's website.

Shareholders' meetings

- Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

- Appropriate arrangements for the annual general meetings will be in place to encourage Shareholders' participation.

- The process of our Company's general meeting will be monitored and reviewed on a regular basis, and if necessary, changes will be made to ensure that Shareholders' needs are best served.

- Board members, in particular, the chairmen/chairladies of our Board committees or our delegates, appropriate senior management and external auditors will attend annual general meetings to answer Shareholders' questions.

- Shareholders are encouraged to attend Shareholders' activities organized by our Company, where information about our Company, including its latest strategic plan, products and services will be communicated.

Amendments to Constitutional Documents

From the Listing Date to December 31, 2022, our Company did not make any changes to its Articles of Association. An up-to-date version of our Company's Articles is also available on our Company's website and the Stock Exchange's website.

Dividend Policy

Our Company has adopted a Dividend Policy on payment of dividends. Our Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of our Company and our Group, the prevailing economic environment and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by our Board during a financial year and any final dividend(s) for a financial year will be subject to our Shareholders' approval.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

1.1 Introduction

This report is the first environmental, social and governance ("ESG") report published by the Company to provide a comprehensive view of the Company's strategy, performance and vision on ESG. This report should be read in conjunction with the Annual Report, and in particular the Corporate Governance Report section contained in the Annual Report.

1.2 Basis of Preparation

This report has been prepared in accordance with the requirements set out in Appendix 27 of the Environmental, Social and Governance Reporting Guidelines of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This report has complied with the "mandatory disclosure" and "comply or explain" disclosure requirements and the principles of materiality, quantification, balance and consistency.

1.3 Reporting Period

This report covers the period from January 1, 2022 to December 31, 2022 (the "Reporting Period"), with some retroactive references to prior years or extensions to 2023.

1.4 Scope of the Report

This report covers Star CM Holdings Limited and its subsidiaries.

1.5 Data Source and Reliability Guarantee

The information and data disclosed in this report are derived from the Company's statistical reports and official documents, and have been audited by the relevant authorities. The Company undertakes that this report does not contain any false or misleading statements and is responsible for the truthfulness, accuracy and completeness of its contents.

1.6 Language and Format of the Report

This report is available in English and Chinese and in electronic format. For more information on the Group's background, business development and sustainability philosophy, please visit the Group's official website (http://www.starcmgroup.com/).

1.7 Preparation Process of the Report

This report was prepared through a process of working group formation, data collection, stakeholder interviews, framework finalization, report preparation and internal review.

1.8 Confirmation and Approval

This report was approved by the Board of Directors after confirmation by the management.

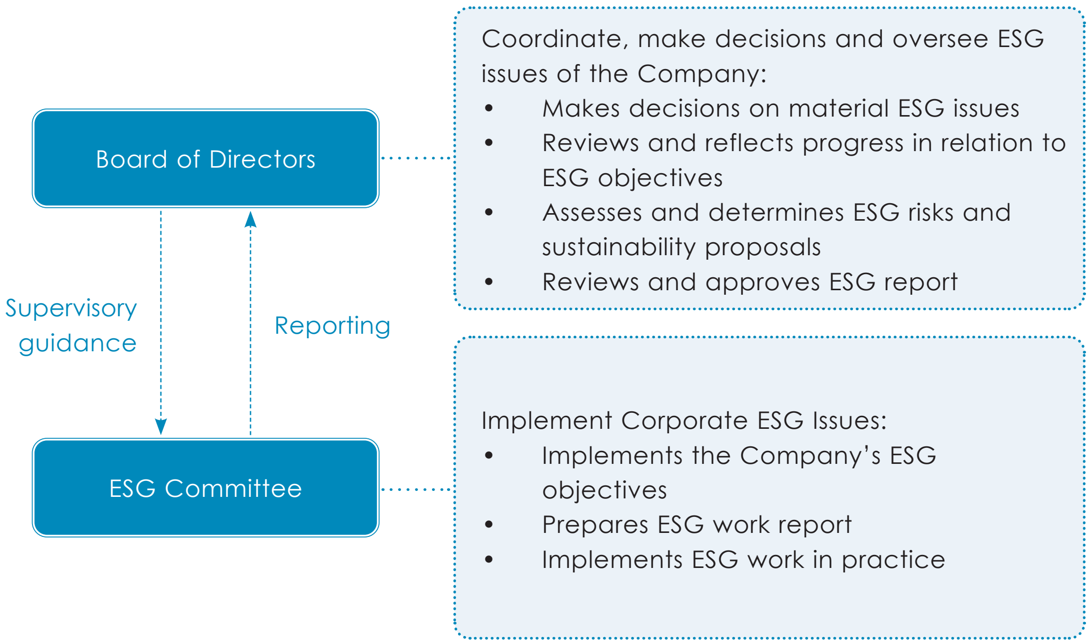
1.9 Receive and Respond to this report

We value feedback from our stakeholders and welcome readers to contact us via the contact information below. Your comments will help us to further improve this report and enhance our ESG performance.

Email: ir@canxingmedia.com

1.10 ESG Governance Framework

The Company's ESG governance structure is as follows:–



2 MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE

2.1 Statement of the Board of Directors

The Board of Directors of the Company takes fully responsible for the environmental, social and governance strategy and reporting, the development, adoption and review of our ESG vision, policies and objectives, and the evaluation, identification and addressing of ESG-related risks. The Board and all Directors warrant that there are no false statements, misleading statements or material omissions in this report. The Board is responsible for developing and adopting the Company's ESG policy, strategy and objectives, reviewing the Company's performance against ESG-related objectives and revising the strategy if significant deviations from the ESG objectives are identified.. The Board has an Environmental, Social and Governance Committee, which is led by our Chief Executive Officer, to implement our ESG-related policies. Our production managers are the key personnel in the implementation of ESG policies in our daily business operations.

We attach great importance to the expectations and demands of our stakeholders, and through active communication with each stakeholder, we have given more attention to the following: product quality, intellectual property protection, compliance, corporate governance, risk management, remuneration and benefits, anti-corruption, health and safety, business ethics, legal employment, privacy protection and data security. In the future, we will adjust our ESG management focus according to the expectations of our stakeholders and our actual operations, and continue to improve our sustainability measures and performance to work together for sustainable environmental, economic and social development.

2.2 Responses to Stock Exchange ESG Reporting Principles

Materiality: In accordance with the relevant regulatory requirements such as the "Environmental, Social and Governance Reporting Guidelines" of the Stock Exchange, the Company conducts benchmarking analysis of environmental, social and governance reporting issues of enterprises in the same industry through communication and exchange with various stakeholders in various forms, and accordingly determines the material environmental, social and governance issues of the Company.

Quantitative: All data in this report are obtained from relevant statistical reports and internal company documents, and comparative data will be provided in future ESG reports.

Consistency: The scope of disclosure in this report has not been materially adjusted from the Company's annual report and the statistical methods of disclosure are consistent.

2.3 Stakeholder Communication and Response

As groups closely related to the development of the Company, the communication with and participation of stakeholders are important part of the sustainable development of the Company. Therefore, the Company attaches great importance to the expectations and demands of its stakeholders, and each important functional department has built channels with its corresponding stakeholders in its daily work, and seeks to maintain regular communication and exchange with them through different channels.

Stakeholders	Expectations and Demands	Communication Channels
Clients	Premium product content Intellectual property protection Customer privacy and data security	Signing contracts and agreements Daily communication Case closure debriefing meeting
Shareholders and Investors	Corporate performance Return on equity and growth Transparent information disclosure Diversified communication channels	Annual general meeting Results announcement Investor relations page and dedicated email address on the Company's website
Government and Regulatory Agencies	Compliance Compliance with national policies Business ethics	Written document submission Regular or unscheduled meetings On-the-spot investigation
Employees	Remuneration and benefits Health and safety Employee communication and training Career development platform	Employment contract Employee handbook Face-to-face communication Performance appraisal and feedback
Partners and Industry Associations	Industry experience sharing Promoting the industry	Industry seminars Daily communication
Suppliers	Standardize procurement management Anti-corruption, bribery	Signing contracts and agreements Supplier management system Public tendering
Community and Non-Governmental Organizations	Support social welfare Environmental protection	Public interest forum Seminar

2.4 Analysis of Important Issues

In accordance with the requirements of the ESG reporting guidelines of the Hong Kong Stock Exchange, the Company has collected issues of concern to key stakeholders through various channels and analyzed the importance of the issues through a series of processes in order to identify closely related and important issues relevant to the sustainable development of the Company.

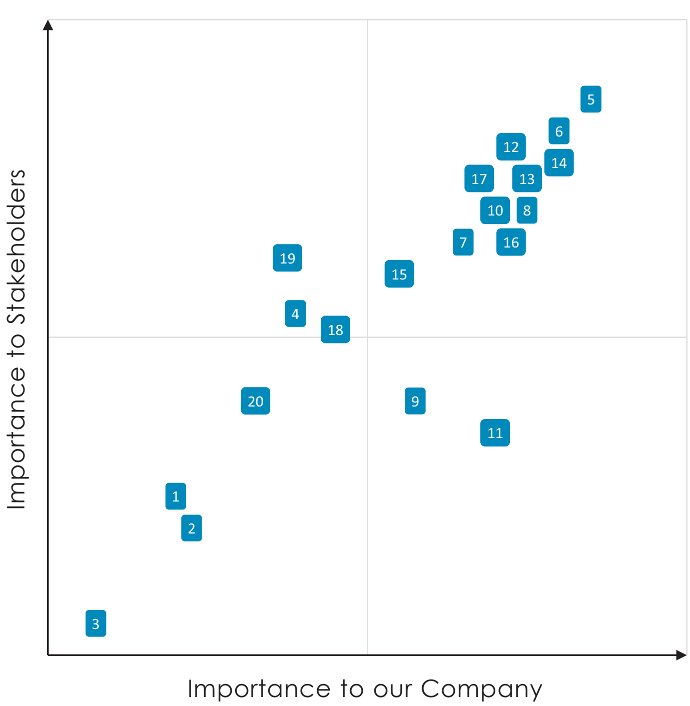
Identify: The issues are derived from the ESG reporting guidelines of the Hong Kong Stock Exchange, domestic and international peer disclosure issues, etc., and we identify ESG issues that are potentially relevant for the sustainable development of the Company, taking into account industry trends and the actual situation of the Company's business operations.

Assessment: The importance of the issue to the stakeholders and the Company is assessed in conjunction with the issue. The main considerations of the stakeholders include the Company's commitment to social responsibility and the degree of impact on its own interests; the main considerations of the Company include the impact on the Company's business operations, the impact on the Company's financial performance and the impact on the Company's future development strategy.

Confirmation and reporting: Based on the results of the assessment of important issues, those that are highly important will be disclosed in the report with emphasis.

During the Reporting Period, the Company identified 11 highly important issues, 5 moderately important issues and 4 low important issues, of which the highly important ESG issues will be disclosed in detail in this report.

Assessment of Important Issues in 2022



Importance	Number	Issues
Highly important issues	5	Product Quality
	6	Intellectual Property Protection
	14	Compliance
	12	Corporate Governance
	13	Risk Management
	8	Remuneration and Benefits
	17	Anti-Corruption
	10	Health and Safety
	16	Business Ethics
	7	Legal Employment
	15	Privacy Protection and Data Security
Moderately important issues	11	Development and Training
	19	Supply Chain Management
	9	Protection of Employee's Rights and Interests
	18	Customer Relationship Management
	4	Climate Change
Low-importance issues	20	Community Benefit
	1	Emissions Management
	2	Energy use
	3	Water Resources Management

3 SOCIAL

3.1 Employment

We are committed to fostering a collaborative company culture based on honesty, innovation and passion. We hire employees on merit and it is our company policy to provide equal opportunity to employees without regard to gender, age, race, religion or any other social or personal characteristic. We value the contributions of each employee in different functions and strive to provide an environment that stimulates teamwork. We expect employees to care about each other, treat each other with respect, and have accesses to put their talents to work.

We strictly comply with the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China and other laws and regulations, and have established internal management systems such as the Employee Handbook. During the Reporting Period, we have complied in all material respects with all applicable labor laws, rules and regulations, and there has been no incident of overwork or illegal labor practice or any complaint arising therefrom.

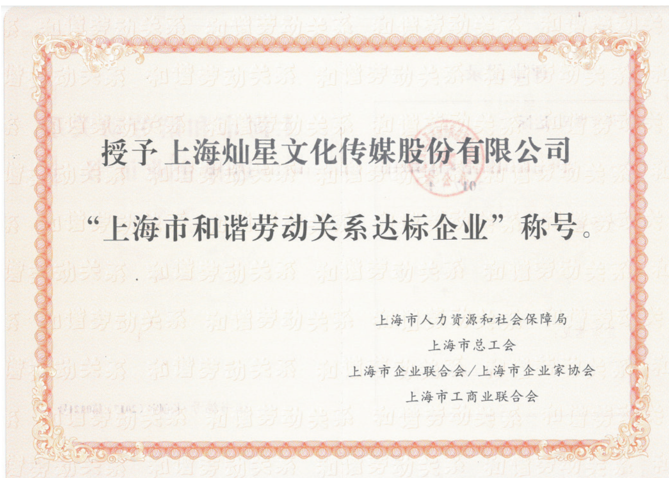


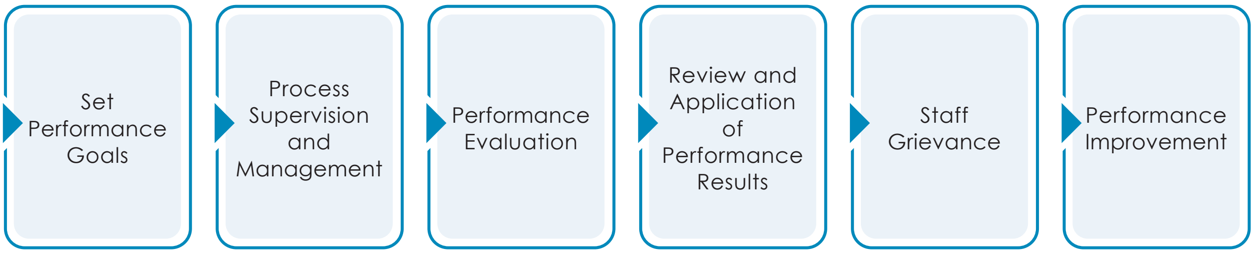
Photo: The Company was awarded the title of "Shanghai Harmonious Labor Relations Standard Enterprise"

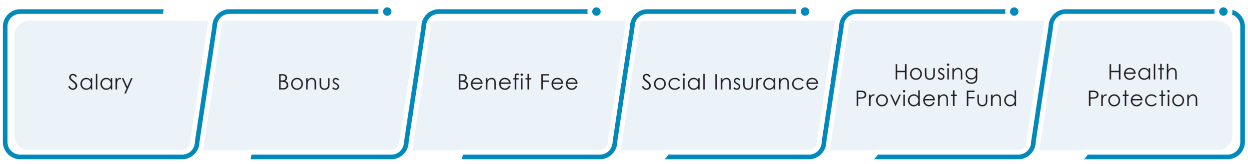
We provide our employees with good training opportunities and competitive salaries, pay for medical insurance, pension insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund in accordance with the relevant laws, and provide employees with statutory annual leave to protect their basic rights in accordance with the relevant law.

Anti-discrimination: We strictly adhere to the principles of fairness and non-discrimination and are firmly opposed to any form of discrimination and unequal competition, without discrimination on the basis of age, gender, race, nationality, marital and family status, health status or religion. In addition, we are firmly against all forms of harassment.

Employees' Diversity and Equality: We place a high value on employees' diversity and are committed to creating a dynamic, diverse, and equal workplace workforce. We practice diversity in terms of employees' background, age and gender. We firmly believe that diversity brings a more dynamic workforce, a more harmonious work atmosphere, and a healthier work environment.

Remuneration performance: In order to ensure the reasonableness of remuneration performance, we have established a perfect performance management specification.





Composition of Remuneration and Benefits

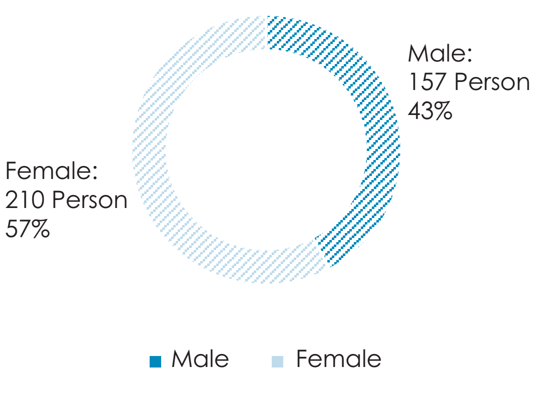
Employee benefits: The Group provides a range of non-remunerative benefits to its employees, including paid annual leave, and is committed to providing a warm working environment for its employees.

In the future, we will continue to foster a positive work environment that will enable us to build a talented team with excellent operational capabilities.

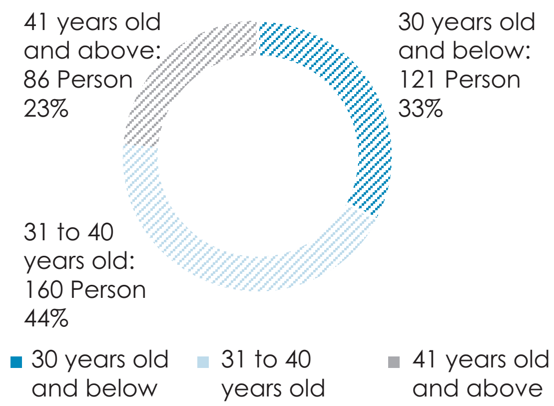
Table: Our Employees by Gender, Age, Employment Type and Region in 2022

Indicators		Unit	2022
Total number of employees		Persons	367
Number of employees by gender	Male	Persons	157
	Female	Persons	210
Number of employees by age	30 years old and below	Persons	121
	31 to 40 years old	Persons	160
	41 years old and above	Persons	86
Number of employees by employment type	Full-time employees	Persons	367
	Part-time employees	Persons	0
Number of employees by region	Mainland China	Persons	355
	Hong Kong, Macau and Taiwan	Persons	12
	Overseas	Persons	0

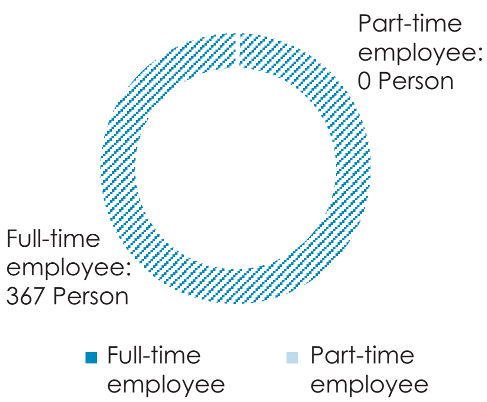
Number of employees by gender (persons)



Number of employees by age (persons)



Number of employees by employment type (persons)



Number of employees by region (persons)

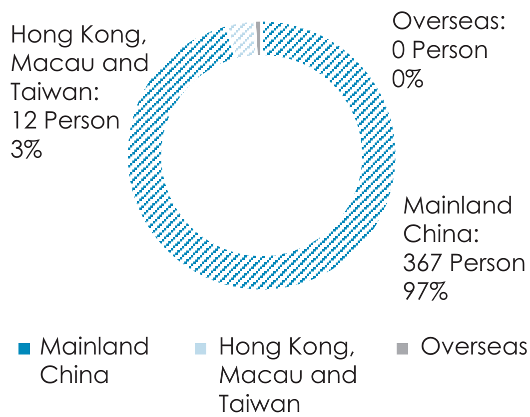
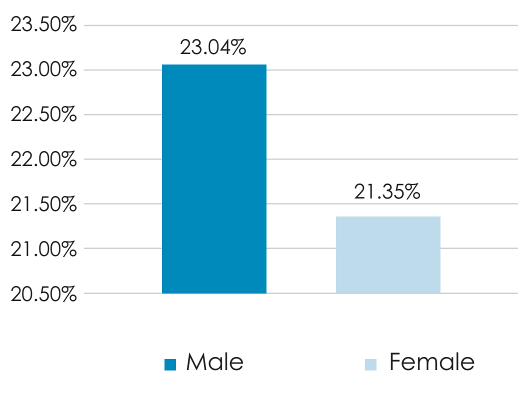


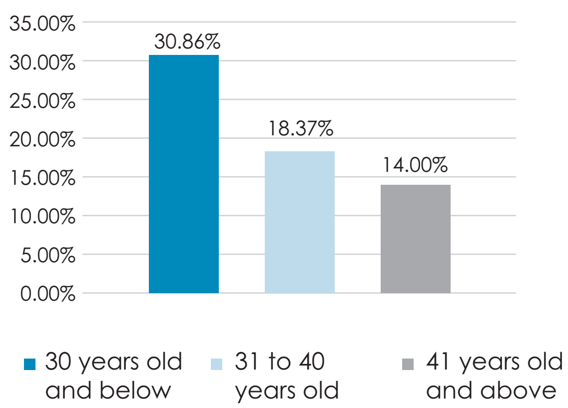
Table: Our Employees' Turnover Data by Gender, Age and Region in 2022

Indicators		Unit	2022
Total employee turnover rate		%	22.08
Employee turnover rate by gender	Male	%	23.04
	Female	%	21.35
Employee turnover rate by age	30 years old and below	%	30.86
	31 to 40 years old	%	18.37
	41 years old and above	%	14.00
Employee turnover rate by region	Mainland China	%	21.98
	Hong Kong, Macau and Taiwan	%	25
	Overseas	%	0

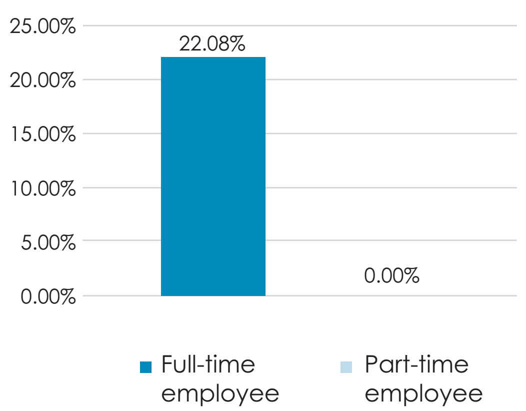
Employee turnover rate by gender



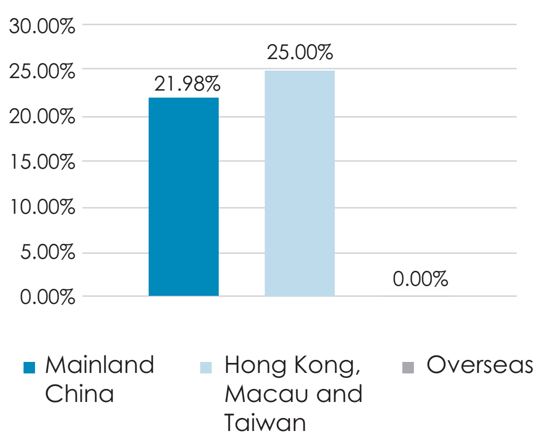
Employee turnover rate by age



Employee turnover rate by employment type



Employee turnover rate by region



3.2 Health and Safety

The Company attaches great importance to the health and safety of our employees and is committed to providing them with a fair, safe and heart-warming working environment. The Company strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Regulations on Work Injury Insurance, and has established internal systems such as the Safety Management Code for Program Production to identify safety risks and prevent safety accidents in a timely manner. For example, at the recording site of a variety program, we require our suppliers to provide safe and secure working space and include this in the relevant contracts, and provide ambulances at the recording site to respond to any safety accidents in a timely manner. At our office, we provide fire-fighting facilities in strict accordance with the Fire Protection Law of the People's Republic of China, and conduct regular inspections and maintenance. We also disinfect and clean our office regularly to provide a safe and warm working environment for our employees. Besides, we provide diverse health and safety protection measures for our employees, including organizing regular annual physical examinations for all employees, purchasing supplementary medical insurance for our employees, implementing a flexible working model that takes into account the epidemic and the situation of our employees, and providing 12 days of paid sick leave per year for our employees. During the Reporting Period and in the past three years, the Company had no work-related deaths and zero work days lost due to work-related injuries.

3.3 Labor Guidelines

The Company strictly abides by the Regulations on the Prohibition of Child Labor and the Labor Law of the People's Republic of China and other relevant laws and regulations, which are stipulated in the Employee Handbook, and we firmly eliminate the use of child labor and forced labor. We strictly control the recruitment process by examining whether the actual age of the candidates meets the recruitment criteria by checking identity documents to avoid the misuse of child labor, and if we find the misuse of child labor, we will strictly follow the laws and regulations to immediately terminate their labor relations.

Recruitment for the Group is requested by the hiring department to the Human Resources Department. It can only be carried out after it is in line with the hiring plan and with the approval of the appropriate management. The Group conducts recruitment mainly for the community and adheres to the principle of fairness and impartiality, regardless of the candidate's gender, age or religious beliefs. The Human Resources Department will verify the candidates' identification, qualifications and past experience. Once a candidate is hired by the Group, the Group will sign a formal employment contract with the candidate to protect his or her rights and interests.

We have established a labor union since 2018 in order to develop and implement policies to protect the labor rights of our employees and to prepare elaborate holiday gifts, i.e. blessings, for our employees on festivals such as Mid-Autumn Festival and Women's Day to enhance democratic participation, democratic decision-making and communication between employees and management.

Photo: The Company has been awarded the title of "Workers' Pioneer" for many years

Photo: The Company was awarded the title of "Advanced Staff Family" for years

3.4 Development and Training

Talents are the key factor for our company to maintain its leading position in the market. We provide excellent training opportunities for our employees to promote the continuous improvement of our team and enhance our long-term business prospects. Our training programs are mainly divided into induction training and professional training.

Induction training: To help employees get familiar with the Company's rules and regulations and corporate culture, we arrange induction training for each new employee. We advocate team work mode, and the induction training is conducted by team managers and experienced senior staff to form team work goals and shared values, to help new employees quickly integrate into the Company's cultural atmosphere and regulate the work environment.

Professional training: We organize professional training on a variety of issues based on the characteristics of our employees' various professional competencies. For example, we have commissioned a third-party legal consultant to provide training on legal-related risks for our legal team. We also arrange for our employees to attend forums, seminars and external training related to these issues, depending on the characteristics of the pan-cultural and entertainment industry.

Table: 2022 Company's Employee Training Data

Indicators		**Unit**	**2022**
Ratio of trained employees by gender	Male	%	100
	Female	%	100
Ratio of trained employees by grade	Senior Management	%	100
	Middle Management	%	100
Hours of training per employee by gender	Male	Hours	10
	Female	Hours	9.5
Number of hours of training per employee by grade	Senior Management	Hours	7
	Middle Management	Hours	15

Moreover, we actively encourage our employees to obtain relevant skill certifications and improve their professionalism. We encourage our employees to use their spare time for learning and development, and offer the possibility of flexible working hours where necessary.

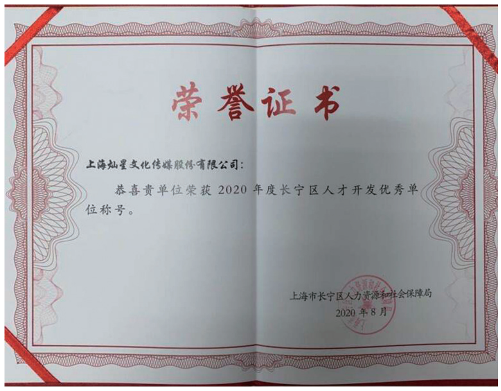


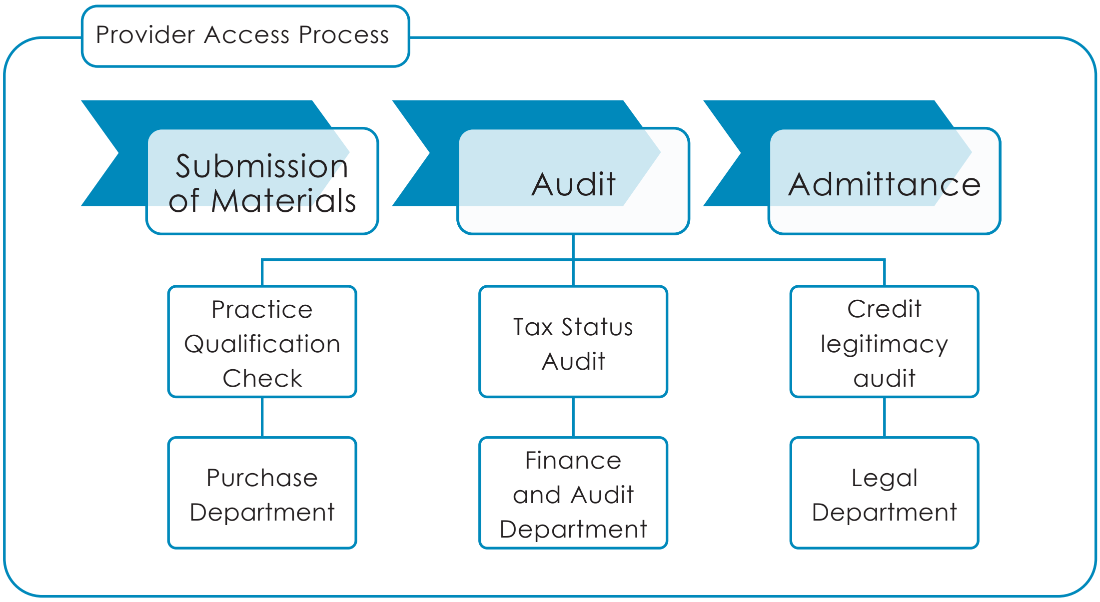
Photo: The Company won the title of "Excellent Entity for Talent Development in Changning District"

3.5 Supply Chain Management

We understand the important contribution of suppliers to the development, production and promotion of our business. While improving our own environmental and social governance capabilities, we drive the healthy development of our suppliers and promote win-win cooperation between them. In accordance with relevant national laws and regulations, our company has developed a whole process management system for supplier access, assessment and quality control, etc. In particular, we have developed the "Large-scale Project Establishment and Closing Process Management System" to address environmental and social risks in supply chain management.

Currently, our suppliers mainly include (i) media platforms and advertising agencies that provide us with time slots for commercials; (ii) third-party service providers providing production services for our variety programs; (iii) service providers or media platforms that offer guest recording; and (iv) composers and lyricists who license their rights to us.

We have established a detailed supplier access policy, to strictly screen suppliers, and conduct daily management and regular assessment of suppliers in order to identify potential environmental and social risks in our supply chain. We usually cooperate with suppliers on a project basis, with the procurement department (usually the production department) first sourcing in the market based on project requirements or recommended by other business departments, and then submitting materials to the Company's audit, finance and legal departments after confirmation by the head of the procurement department and the relevant project manager. They will become an alternative supplier after review by the aforementioned departments. During the Reporting Period, our supplier access policy has fully covered the suppliers with whom we have established cooperative relationships.



We sign contracts with suppliers for each project, and depending on the type of services they provide, our legal department reviews the contracts for clauses that address environmental and social risks. For example, for vendors providing variety production services, we require that contracts require proper disposal of generated waste and the use of environmentally friendly materials. We agree on force majeure clauses in all contracts to avoid business risks to the supply chain caused by extreme weather, etc. To ensure the quality of our suppliers' services, we regularly assign our internal quality control staff to carefully evaluate the service or product quality of third-party suppliers and provide timely and constructive feedback. For poorly performing suppliers, we may, subject to compliance with applicable contractual arrangements, (i) discuss relevant remedial measures with them and require the supplier to improve service quality; (ii) reduce the frequency of cooperation; and (iii) terminate the relevant contracts.

Table: Number of our suppliers and their regional distribution in 2022

Indicators		**Unit**	**2022**
Number of suppliers by region	Total	Supplier	1,231
	Mainland China	Supplier	1,203
	Hong Kong, Macau, Taiwan and Overseas	Supplier	28

3.6 Product Liability

As a leading creator and operator of variety program, music, films and drama series IP in China, we offer a full range of cultural and entertainment IP and other IP-related products and services, and are committed to continuously innovating product attributes and improving service quality to meet the needs and exceed the expectations of our customers and audiences. We adopt strict quality control guidelines and procedures throughout the life cycle of the production of variety programs, music productions, drama series and other IP-related products to ensure our products with quality content. We strictly comply with the Advertising Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Personal Information and other relevant laws and regulations. During the Reporting Period, we did not violate any of the above-mentioned laws or regulations.

Variety program

In the case of variety programs, our project approval committee evaluates the quality of each program concept before the production phase begins. Our team of directors oversees the quality of the program throughout the production process, and we assign quality control personnel to each important aspect such as sound, staging, casting and post-production editing. We also invite industry experts to advise on the quality of the variety program after the post-production work is completed, while the investment media platform, our content production professionals and senior management thoroughly review the program before it is sent to the media platform for broadcast.

In 2022, we successfully produced and broadcasted eight variety programs, including "E-POP of China", "Sing! China 2022", "Great Dance Crew 2022", "Guess the Dancer! 2022", "Street Dance of China 2022", "HAHA A Day", "PANTHEPACK" and "Go! Dreamland". Building on the success of 2022, the Group will continue to innovate and create popular variety program IPs.

Music Works

For music works, our music production team is responsible for quality control at the production stage. After the music work is completed, the music production team and the contracted artists will jointly evaluate the quality of the work before it is released.

As of December 31, 2022, the Group's music library has 8,976 IPs, including 3,717 live music recordings produced during the creation of our music variety programs, 3,310 songs produced for our contracted artists, and 1,949 lyrics and music compositions.

Film and Drama Series

For the drama series we produce, the producer is responsible for the overall quality of the series and works with the director's team to monitor the quality and progress of the production process. We also assign quality control personnel to each specific task to ensure the quality of the drama series.

The Group has leveraged our large library of films, our experienced in-house professional team and our long-standing relationships with media platforms to actively explore the film licensing, drama series production and licensing business. As of December 31, 2022, the Group owns and operates a large film library consisting of 757 Chinese film IPs and a set of drama series "Reading Class" produced by the Group.

Other IP-related business

For other IP-related products produced by our authorized partners, we work with trusted authorized partners who have a solid corporate background, trading history and reputation. For other IP-related products produced by our suppliers, we regularly inspect the products and evaluate their quality.

The Group's other IP-related businesses mainly include (i) artist management; (ii) concert organization and production; (iii) arts education and training; (iv) mobile apps; (v) consumer products; and (vi) themed attractions. As at December 31, 2022, we had a total of 148 contracted artists and the Group's "Sing! China" app had over 1.3 million registered users.

Benefiting from the Group's efficient synergy with IP resource providers and effective business model, the Group ensures the quality of production and operation of variety programs, music IP, film and drama series IP and other IP-related businesses. As a result, the Group received a number of awards in 2022. The following are some of the major awards and honors we received in 2022.

2022

"Street Dance of China" won the award of "2022 Online Variety Program of the Year"

Kuyun

2022

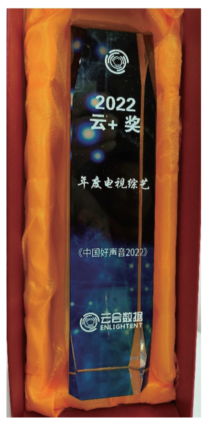
"Street Dance of China 5" won the award of 2022 TV Landmark, Outstanding Production Program of the Year

State Administration of Radio, Film and Television, and China Radio Film & TV Magazine

2022

"Sing! China 2022" won the award of 2022 TV Landmark, Outstanding Production Program of the Year

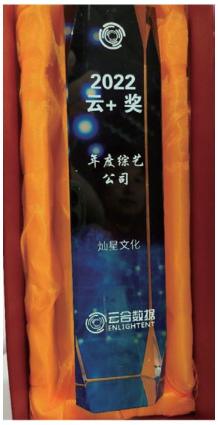
State Administration of Radio, Film and Television, and China Radio Film & TV Magazine



2022

"Sing! China 2022" won the award of "2022 Cloud+ Award" TV Variety Program of the Year

ENLIGHTENT



2022

"2022 Cloud+ Award" Variety Program Company of the Year

ENLIGHTENT

2022

2022 Nomination for the 4th Top 10 Cultural Enterprises

Shanghai Cultural and Creative Industry Promotion Association, and Shanghai FirstFinancial Media Co.

Going forward, we will further strengthen our IP creation and operation capabilities. We will enhance our content production capabilities in the areas of variety programs, music, films and dramas, and enrich the genres and themes of our IPs. We will continue to enrich our product distribution channels and provide live experiences through our IP-centric Experience Hall, Electronic Music Center and Street Dance Center. Leveraging the growth of the global entertainment industry, we will increase our efforts to recruit professionals in overseas entertainment markets and attract talented artists from around the world to further enhance the influence and value of our entertainment IPs in the global market.

3.7 Customer Complaints Handling

Proper handling of customer complaints and ensure smooth channels for handling customer complaints are important aspects of the Group's efforts to make improve itself and enhance customer satisfaction. We are striving to improve our mechanisms and provide satisfactory services to our customers.

Customer complaint handling mechanism

Establish a mechanism for handling public opinion

- Set up emergency handling team
- Identify decision makers and reporters for emergencies
- Establish emergency classification standards

Establish emergency plans

- Clear types of common business emergencies
- Establish a risk prevention plan
- Advance preparation of various countermeasures

Establish effective communication channels

- Identify effective customer complaint channels: dedicated email address, WeChat official accounts and monitoring channels
- Active handling of customer complaints with 100% response rate

During the Reporting Period, the Group has not recalled any products sold or shipped due to safety and health reasons (our business does not involve product recalls).

3.8 Intellectual Property Protection

Intellectual property is a fundamental element of our achievements and competitiveness. We fully respect the intellectual property rights of others, while firmly protecting our own intellectual property rights from infringement. We strictly comply with the laws and regulations of the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China and the Trademark Law of the People's Republic of China. We have established and maintained intellectual property risk management and internal control procedures to protect our intellectual property rights and prevent liability for infringement of third party intellectual property rights.

On the one hand, we have strict internal measures in place to safeguard our intellectual property rights. We ensure that our intellectual property is legally protected by the relevant laws by applying, registering, and filing for intellectual property rights (including copyrights, trademarks, patents, and domain names). Our legal department keeps records and regularly reviews the status of our variety program IPs, music IPs, film and drama series IPs, and uses a combination of legal and administrative procedures and negotiations to protect our intellectual property. In the event of unauthorized use of our variety program IPs, music IPs, film and drama series IPs, and other IP products, we will take proactive steps to protect our rights through legal proceedings.

On the other hand, we have taken a number of effective measures to avoid potential infringement of third party intellectual property rights. We have set up special teams in our legal department and music production team to oversee intellectual property issues in our daily operations. For example, for musical compositions related to our variety programs, the lyrics and music compositions must be approved in advance by a special IP team within the music production team, which will be responsible for identifying and obtaining the consent of the relevant copyright owners. The task force within our legal team will conduct a thorough review of the program and identify intellectual property issues. In addition, we require our IP Task Force to conduct ongoing reviews of our variety programs and musical productions after they are released. If the task force identifies any potential infringement issues, remedial measures will be taken to minimize the risk. We also engage external legal counsel to (i) provide case support, contract review and legal feasibility analysis on material copyright issues; and (ii) provide legal risk management training to members of our management, legal department and other relevant departments, who will communicate material legal compliance requirements to employees through internal meetings.

3.9 Privacy and Data Security

We are committed to protecting the security of our users' data and strictly comply with the "Personal Information Protection Law of the People's Republic of China", "Network Security Review Measures" and other relevant laws and regulations. We have taken various measures to protect the security of our customers' data. For "Sing! China" app and the WeChat app " Zongbache" mini app, we have adopted an access control policy that enables us to grant limited access to and process customer data on a need-to-know basis to employees in specific positions at specific levels, who are expected to use the data in their authorized workplaces only for the purpose of completing their work assignments. We have also implemented encryption programs to encrypt sensitive and confidential data stored by us and data desensitization programs to desensitize confidential and sensitive data.

In addition, we have a dedicated data security team with experience to implement procedures related to data security management. The data security team maintains network security, application security and data security through various technologies such as encryption, antivirus software and firewalls to safeguard the security and integrity of our clients' data and prevent any data leakage, cyber attacks or loss of confidential information. Our internal personnel must comply with data security regulations regarding information system security, including those related to the storage, transmission, handling and destruction of confidential data. In addition, we include confidentiality agreements in our employment contracts that prohibit employees from disclosing any confidential data related to their work and clients without our consent.

Data Access Control

- Limited authority is granted only to employees at certain levels in certain positions
- Accessing and processing customer data at authorized workplaces only when necessary for the purpose of completing work tasks

Data Storage Encryption

- Encryption of stored sensitive and confidential data
- Implement confidential, sensitive data desensitization programs

Dedicated Data Security Team

- Maintain network security, application security and data security through various technologies such as encryption, antivirus software and firewalls to avoid any data leakage, network attacks or loss of confidential information
- Internal data security requirements, including those relating to the storage, transmission, processing and destruction of confidential data

Internal Data Security Requirements

- Information system security requirements related to the storage, transmission, processing and destruction of confidential data
- Prohibition of disclosure of confidential data related to work and clients

During the Reporting Period, the Company had no data security-related violations.

3.10 Anti-Corruption

The Company strictly complies with the "Anti-Unfair Competition Law of the People's Republic of China", the "Anti-Money Laundering Law of the People's Republic of China" and other relevant laws and regulations, and has formulated internal policies and systems such as the "Anti-Fraud, Anti-Money Laundering and Anti-Bribery Management System" and "Conflict of Interest Declaration System" in accordance with the relevant laws to regulate the professional conduct of management staff and ordinary employees to ensure the achievement of the Company's business objectives and the Company's sustainable, stable and healthy development of the Company. The Company has established an internal whistleblowing policy to encourage employees to report misconducts and take protective measures for whistleblowers. During the Reporting Period, the Company had no incidents involving bribery, fraud or money laundering.

Anti-Fraud

The Company has established an anti-fraud system and process. The anti-fraud work is led by the Audit Committee of the Board of Directors, and the Audit Department, as a standing body for anti-fraud work, is responsible for the specific implementation of anti-fraud work. The Company's anti-fraud work is carried out through four procedures of accusation, acceptance, investigation and reporting, and provides for accountability and remedial measures for fraudulent acts. The Company takes a number of measures to prevent and control fraudulent acts, including strengthening special anti-corruption training for directors and employees and conducting regular internal control self-assessment exercises.

Anti-money laundering

The Company has established "Anti-Money Laundering Management Measures" and set up an anti-money laundering management structure with "three lines of defense", including the business department, legal affairs and other back-office risk control departments, and the audit department. Through various anti-money laundering measures such as customer identification and risk classification management, customer data and transaction record keeping, large transaction and suspicious transaction reporting, money laundering risk assessment, etc., we encourage all employees to jointly prevent money laundering and terrorist financing risks faced by the Company in the course of daily business.

Anti-bribery

In order to solidly promote the work of combating corruption and bribery in business activities, the Company has formulated the Anti-Bribery Management System to strengthen the supervision and management of key parts of the personnel in positions prone to more corruption, ensure the commitment system of combating commercial bribery, strictly follow the rules of fair competition, guide all employees to act in accordance with the relevant laws, be honest and trustworthy, consciously resist negative corruption and establish a good corporate image. The Company's legal department will also include anti-bribery related clauses in the process of reviewing contracts with customers or suppliers. In addition, the Company has a reporting box and a reporting telephone number for the prevention of commercial bribery to encourage employees to actively report corruption and bribery.

Anti-corruption Workflow

3.11 Social Welfare

We are deeply aware of the need to fulfill our social responsibility while focusing on our own development and to realize the joint development of commercial and social values. We believe in the power of the performing arts to inspire people and actively engage in public service to give back to society.

In the past years, we have made charitable donations to the China Women's Development Foundation, Shanghai Charity Foundation, One Foundation, China Youth Development Foundation, etc. in the name of "Sing! China" program.

Photo: The Company was awarded the title of "Model Enterprise for Public Welfare"

Photo: Donation made by the Company in the name of "Sing! China" program

The Company has always maintained a high sense of social responsibility. While contributing to charity, it also calls on its employees to join public welfare, encourages and supports its artists to actively participate in public welfare activities, and uses public influence to spread positive social energy. During the Reporting Period, many of the Company's artists participated in public welfare activities on various themes such as concern for the marine environment, tribute to working people, and assistance to poor areas through singing public welfare songs and conducting on-site activities.

Photo: Our artist Wu Ke Yue (伍珂玥) sang the promotional song "Guangdong 24 Hours" in tribute to the working people

Photo: Our artist Zhaxi Pingcuo (扎西平措) and Li Qi (李琦) participated in Tibetan Aid Party, singing the song "The Highest Dream"

In 2022, to pay tribute to the medical and nursing workers on the front line of the epidemic and all the ordinary but great workers, the Company held a public service concert with the theme of "Faith with Light and Love with Sound (信念有光用聲音傳遞愛)" and invited 100 artists to sing in succession.

Photo: "Faith with Light and Love with Sound" public service concert held by the Company

The Company also strives to deliver positive social values to its viewers through the significant impact of its programs. We produced the women's dance club competition reality show "Great Dance Crew" focused on female strength and encouraged women to pursue their own beings and be positive. We also produced a new reality show in "Street Dance of China 2022" in a dance to promote care for the elderly. In our past products, "Street Dance of China 2021" and "China's Got Talent 2019," we incorporated environmental themes in them such as cherishing water resources and worked to promote corporate social responsibility by extending our concern for the ecosystem to society.

Photo: Dance on the theme of water conservation in the program "Street Dance of China 2021" produced by the Company

4 ENVIRONMENT

4.1 Emissions

The Company's business does not involve waste water or green house gas emissions, the main types of waste include office garbage, domestic garbage, food waste and other daily office garbage. The Company strictly abides by the laws and regulations such as the Law on the Prevention and Control of Solid Waste Pollution of the People's Republic of China and the Law on the Prevention and Control of Water Pollution of the People's Republic of China. We actively reduce all kinds of waste generated in our business. The hazardous waste generated by the Company is mainly a small amount of discarded toner cartridges and ink cartridges generated in the office working process. For the waste generated during the Company's operation, the Company usually makes it classified, and for harmless waste it is handed over to the municipality for treatment, while for hazardous waste it is collected by the office building property and handed over to a qualified third party for disposal.

Table: Energy Use by Our Shanghai Headquarter in 2022

Indicator	Unit	2022
Hazardous waste	Kilogram	21
Non-hazardous waste	Kilogram	13,658.8
Hazardous waste generation density	Kilogram/square meter	0.0056
Non-hazardous waste generation density	Kilogram/square meter	3.65

In order to better implement environmental management, the Group continues to maintain management strategies such as separate collection of solid waste and 100% recycling rate. The Group effectively disposes of various types of waste according to the different types of waste to reduce the adverse impact of waste on the environment. For waste disposal, the Group sets up different types of garbage bins to collect garbage, reasonably puts out garbage according to the requirements of garbage classification, records the output of various types of garbage, makes data analysis, and uses qualified garbage removal units that meet the national requirements for garbage removal in accordance with the Shanghai Municipal Regulations on the Management of Domestic Garbage, and at the same time carries out garbage classification publicity and advocates garbage reduction for all employees.

Old office electronic equipment
If employees' notebook computers and monitors reach the end of their service life, they will be recycled by employees as a priority to meet their home use, so as to reduce the consumption of electronic products and make the best use of them

Hardware equipment that has reached the end of its useful life
For hardware and equipment that have reached the end of their useful life, we will entrust them to suppliers with resource recovery qualifications for recycling

General household waste
For general household waste after waste separation, the municipalities are entrusted to carry out centralized transportation

Hazardous waste
If the hazardous waste such as toner cartridges, ink cartridges, batteries and used lamps generated by the office is entrusted to a qualified third party for compliance disposal

Food waste
Entrust a third party to collect and transport the goods to the city for processing

During the Reporting Period, the Group did not violate any of the aforementioned laws and regulations. The laws and regulations related to environmental protection and waste discharge in the region where the Group is located, including those related to the emission of exhaust gases and greenhouse gases and the discharge of waste to water bodies or land, as well as the generation of hazardous or non-hazardous waste, did not have a significant impact on the Group's operations.

4.2 Resource Usage

The use of resources involved in our operations is mainly electricity, paper and water. Since our business is not related to the manufacture and production of physical products, we do not use or consume packaging materials. We strictly comply with the Law on Environmental Protection of the People's Republic of China, the Law on Energy Conservation of the People's Republic of China and the Law on the Prevention and Control of Water Pollution of the People's Republic of China and other relevant laws and regulations. We are committed to the protection of resources and the improvement of resource utilization efficiency, and actively practice the concept of green and sustainable development. During the Reporting Period, there was no violation of the above-mentioned laws and regulations by the Company.

Table: Energy Usage at Our Shanghai Headquarters in 2022

Indicators	**Unit**	**2022**
Power consumption	KWh	505,468.5
Power consumption density	kWh/m^2	135.07
Paper consumption	sheets	217,765
Consumption of paper density	sheets/m^2	58.2

We have been promoting water conservation among our employees and have taken measures to prevent water wastage, such as the use of sensor taps in bathrooms. To better protect the environment, we have been gradually adopting more sustainable and environmentally friendly measures and intend to reduce the energy consumption of our daily operations. We have decided to set the following targets: to reduce our electricity consumption per square meter by 1% and 3% of the current level by the end of 2023 and 2025 respectively; and to reduce our paper consumption by 1% and 3% of the current level by the end of 2023 and 2025 respectively.

To this end, we have developed a number of energy-saving measures, including but not limited to:

- Encourage employees to turn off office equipment that is not in use, such as computers, lights and air conditioning

- Temperature control of air conditioning to maintain indoor air conditioning temperature at 26℃, etc.

- Requires internal documents to be printed on both sides

- Secondary use of single-sided paper

Energy use efficiency targets
Accelerate the construction of the energy system to improve the efficiency of energy use

Waste reduction efficiency targets
Increase the efforts of various waste reduction measures, sorting operations generated in the process, and entrust the disposal of the waste to the qualified third parties for disposal with compliance

4.3 Environment and Natural Resources

The Company advocates a low-carbon and environmentally friendly office concept, is committed to environmental protection, and advocates our employees to protect the environment and conserve resources. We have taken a number of effective measures to reduce negative environmental and resource impacts, including:

- Encouraging employees to actively use teleconferencing systems and web-based video conferencing systems to reduce the resource consumption caused by offline meetings
- Recycling clothing, costumes and stage props from our variety program productions
- Using and recycling of environmentally friendly materials during the production of our variety program
- Promoting employees to reduce carbon emissions by walking, cycling and public transportation

4.4 Climate Change

The Company continues to monitor the risks posed by climate change, such as global warming, extreme weather and climate conditions (e.g. snowstorms, typhoons and heavy rainfall), and is aware of the potential risks and shifts in public perceptions and preferences for more environmentally friendly products and services, and is actively taking countermeasures and fully supporting global climate action.

Our administration department is responsible for closely monitoring daily climate observations and notifying our employees and personnel in the event of extreme weather conditions, and taking necessary measures, such as adjusting office hours when appropriate, to minimize and mitigate the risks associated with natural disasters. Meanwhile, we closely monitor market perceptions of environmental issues and climate-related regulatory and policy changes, and respond to them on a daily basis. In the medium to long term, governments may change existing or enact new environmental, social and climate-related laws and regulations, which may directly or indirectly affect our business, results of operations and financial condition. We will consider these issues in developing our business strategy and may adjust accordingly to changes in the environmental, social and climate-related landscape.

APPENDIX: THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Environmental, Social and Governance (ESG) and General Disclosure and Key Performance Indicators (KPIs)			Chapter
Environment			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4.1 Emissions
	A1.1	The types of emissions and respective emission data.	4.1 Emissions
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	4.1 Emissions
	A1.3	Total hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility.	4.1 Emissions
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate intensity (e.g. per unit of production volume, per facility).	4.1 Emissions
	A1.5	Describe the emissions target(s) set and steps taken to achieve them.	4.2 Resource Usage
	A1.6	Description of how hazardous and non-hazardous wastes are handled and a description of reduction target(s) set and steps taken to achieve them.	4.1 Emissions

APPENDIX: THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Environmental, Social and Governance (ESG) and General Disclosure and Key Performance Indicators (KPIs)			Chapter
Environment			
A2: Resource use	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	4.2 Resource Usage
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4.2 Resource Usage
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	During the Reporting Period, the Company shared water facilities with other companies in the same office building and did not conduct daily data collection, therefore, no relevant disclosure was made.
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4.2 Resource Usage
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4.2 Resource Usage
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Our business does not involve the use of packaging materials
A3: Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	4.3 Environment and Natural Resources
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.3 Environment and Natural Resources
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.4 Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.4 Climate Change

APPENDIX: THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Environmental, Social and Governance (ESG) and General Disclosure and Key Performance Indicators (KPIs)			Chapter
Social			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	3.1 Employment 3.2 Health and Safety 3.3 Labor Standards 3.4 Development and Training
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	3.1 Employment
	B1.2	Employee turnover rate by gender, age group and geographical region.	3.1 Employment
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.2 Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	3.2 Health and Safety
	B2.2	Lost days due to work injury.	3.2 Health and Safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.2 Health and Safety

APPENDIX: THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Environmental, Social and Governance (ESG) and General Disclosure and Key Performance Indicators (KPIs)			Chapter
Social			
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	3.4 Development and Training
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.4 Development and Training
	B3.2	The average training hours completed per employee by gender and employee category.	3.4 Development and Training
B4: Labor Standards	General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	3.3 Labor Standards
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.3 Labor Standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	3.3 Labor Standards

Environmental, Social and Governance (ESG) and General Disclosure and Key Performance Indicators (KPIs)			Chapter
Social			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of supply chain.	3.5 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	3.5 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	3.5 Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.5 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.5 Supply Chain Management
B6: Product Liability	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3.6 Product Liability 3.7 Intellectual Property Protection 3.8 Privacy Protection and Data Security
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Our business does not involve product recycling
	B6.2	Number of products and service related complaints received and how they are dealt with.	3.6 Product Liability
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.7 Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	Our business does not involve product recycling
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	3.8 Privacy Protection and Data Security

Environmental, Social and Governance (ESG) and General Disclosure and Key Performance Indicators (KPIs)			Chapter
Social			
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, fraud and money laundering.	3.9 Anti-corruption
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.9 Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	3.9 Anti-corruption
	B7.3	Description of anti-corruption training provided to directors and staff.	3.9 Anti-corruption
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	3.10 Social Welfare
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	3.10 Social Welfare
	B8.2	Resources contributed (e.g. money or time) to the focus area.	3.10 Social Welfare

Independent Auditor's Report

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979號
太古坊一座 27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of STAR CM Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of STAR CM Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 115 to 226, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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 and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill	
The carrying amount of goodwill at 31 December 2022 was RMB1,488,335,000. The Group performs its impairment test of goodwill on an annual basis. Management's annual impairment test is important to our audit because the assessment process is complex and requires significant judgement and estimates including cash-generating unit identification, terminal growth rate, budgeted gross margins and pre-tax discount rates. The Group's disclosures about impairment testing of goodwill are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgements and estimates* and note 16 *Goodwill* to the financial statements.	Our audit procedures included the following, among others: – We evaluated management's identification of cash-generating units and allocation of goodwill to cash-generating units within the Group; – We reviewed and tested management's future forecasted cash flows and key assumptions by comparing to the Group's development plan, budget and financial projections and analysis on the industry; – We involved our valuation specialist to assist us in evaluating the key valuation parameters such as the discount rate calculation, the terminal growth rate applied and the valuation model with forecasted cash flows; and – We evaluated the adequacy of the related disclosures about impairment testing of goodwill in the financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition: complexity of the revenue models	
The Group's revenue mainly comes from 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, amounting to RMB702,363,000, RMB63,653,000, RMB58,701,000 and RMB48,708,000 for the year ended 31 December 2022, respectively. The Group earns revenue with various contractual terms and different pricing elements in contracts with customers, and the nature of the risk associated with the accurate recording of revenue varies. Operating revenue is a key performance indicator of the Group which gives rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations. The Group's disclosures regarding revenue recognition are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgements and estimates* and note 5 *Revenue, other income and gains* to the financial statements.	Our audit procedures included the following, among others: – We assessed the appropriateness of the Group's revenue recognition policies; – We assessed and tested management's internal controls over each significant revenue stream; – We performed analytical review on the fluctuations of revenue and gross profits; – We read significant customer contracts and assessed whether the implied revenue recognition criteria are in compliance with the Group's revenue recognition policies; – We performed a detailed test of sales transactions by checking supporting documentation (for example, agreements, invoices and collections if occurred); – We obtained external confirmations from certain customers to assess the sales amounts and outstanding balances of trade receivables; – We tested revenue transactions close to the year end to verify whether they were recorded in the correct periods; – We conducted background check on certain new customers; – We tested the journal entries related to revenue recognition focusing on unusual or irregular transactions; and – We evaluated the adequacy of the related disclosures about revenue in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Report of Directors, the Environmental, Social and Governance Report and the Corporate Governance Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required on the other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

When we read the Report of Directors, the Environmental, Social and Governance Report and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2023

Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	*5*	**873,425**	1,126,746
Cost of sales		**(592,352)**	(852,434)
Gross profit		**281,073**	274,312
Other income and gains	*5*	**27,549**	39,920
Selling and distribution expenses		**(25,341)**	(35,283)
Administrative expenses		**(146,735)**	(180,901)
Impairment of goodwill	*16*	**–**	(380,731)
Impairment losses on financial assets, net		**(24,640)**	(10,300)
Other expenses		**(1,400)**	(2,647)
Changes in fair value of financial assets at fair value through profit or loss		**3,874**	(27,570)
Finance costs	*7*	**(2,858)**	(2,739)
Share of losses of:			
Joint ventures		**(938)**	(259)
Associates		**(6,233)**	(1,247)
PROFIT/(LOSS) BEFORE TAX	*6*	**104,351**	(327,445)
Income tax expense	*10*	**(19,794)**	(24,301)
PROFIT/(LOSS) FOR THE YEAR		**84,557**	(351,746)
Attributable to:			
Owners of the parent		**86,918**	(344,996)
Non-controlling interests		**(2,361)**	(6,750)
		84,557	(351,746)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*12*	**0.23**	(1.45)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

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

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**172,388**	54,380
Other intangible assets	*14*	**161,960**	153,267
Right-of-use assets	*15(a)*	**111,346**	102,266
Goodwill	*16*	**1,488,335**	1,465,276
Investments in joint ventures	*17*	**402,036**	403,974
Investments in associates	*18*	**617,867**	422,246
Financial assets at fair value through profit or loss	*19*	**26,744**	16,839
Restricted cash	*24*	**62,318**	43,594
Deferred tax assets	*27*	**60,165**	60,833
Prepayments, other receivables and other assets	*23*	**15,709**	–
Total non-current assets		**3,118,868**	2,722,675
CURRENT ASSETS			
Inventories	*20*	**21**	3,326
Program copyrights	*21*	**110,135**	109,625
Trade and notes receivables	*22*	**625,956**	859,332
Prepayments, other receivables and other assets	*23*	**101,216**	118,515
Due from related parties	*35(b)*	**453,645**	183,813
Cash and cash equivalents	*24*	**587,590**	547,182
Total current assets		**1,878,563**	1,821,793
CURRENT LIABILITIES			
Trade payables	*25*	**253,252**	343,532
Other payables and accruals	*26*	**186,673**	96,696
Tax payable		**40,636**	40,409
Lease liabilities	*15(b)*	**7,892**	2,426
Total current liabilities		**488,453**	483,063
NET CURRENT ASSETS		**1,390,110**	1,338,730
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,508,978**	4,061,405

Consolidated Statement of Financial Position (continued)

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	*15(b)*	**7,670**	2,263
Deferred tax liabilities	*27*	**3,841**	3,806
Other payables and accruals	*26*	**19,175**	7,475
Total non-current liabilities		**30,686**	13,544
Net assets		**4,478,292**	4,047,861
EQUITY			
Equity attributable to owners of the parent			
Share capital	*28*	**3**	2
Reserves	*29*	**4,458,994**	3,989,052
		4,458,997	3,989,054
Non-controlling interests		**19,295**	58,807
Total equity		**4,478,292**	4,047,861

Tian Ming
Director

Wang Yan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital RMB'000 (note 28)	Capital reserve* RMB'000 (note 29)	Statutory surplus reserve* RMB'000 (note 29)	Exchange fluctuation reserve* RMB'000 (note 29)	Share award scheme reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	2	2,666,835	134,424	(25,471)	136,130	1,077,134	3,989,054	58,807	4,047,861
Profit for the year	-	-	-	-	-	86,918	86,918	(2,361)	84,557
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	42,806	-	-	42,806	-	42,806
Total comprehensive income for the year	-	-	-	42,806	-	86,918	129,724	(2,361)	127,363
Issue of shares (note 28)	1	340,218	-	-	-	-	340,219	-	340,219
Capital reduction by non-controlling shareholders	-	-	-	-	-	-	-	(19,600)	(19,600)
Disposal of a subsidiary (note 31)	-	-	-	-	-	-	-	(17,551)	(17,551)
Transfer from retained profits	-	-	4,858	-	-	(4,858)	-	-	-
At 31 December 2022	3	3,007,053	139,282	17,335	136,130	1,159,194	4,458,997	19,295	4,478,292

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital RMB'000 (note 28)	Capital reserve* RMB'000 (note 29)	Statutory surplus reserve* RMB'000 (note 29)	Exchange fluctuation reserve* RMB'000 (note 29)	Share award scheme reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	–	2,043,986	129,319	(12,957)	108,734	1,622,010	3,891,092	689,756	4,580,848
Loss for the year	–	–	–	–	–	(344,996)	(344,996)	(6,750)	(351,746)
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	(12,514)	–	–	(12,514)	–	(12,514)
Total comprehensive loss for the year	–	–	–	(12,514)	–	(344,996)	(357,510)	(6,750)	(364,260)
Issue of shares (note 28)	2	1,897,065	–	–	–	–	1,897,067	–	1,897,067
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	6,580	6,580
Equity-settled share award expense (note 30)	–	–	–	–	27,396	–	27,396	–	27,396
Acquisition of non-controlling shareholders (note 29)	–	42,710	–	–	–	–	42,710	(48,710)	(6,000)
Capital reduction by non-controlling shareholders (note 29)	–	(1,316,926)	–	–	–	–	(1,316,926)	(580,139)	(1,897,065)
Dividends declared to the then shareholders of a subsidiary (note 11)	–	–	–	–	–	(194,775)	(194,775)	–	(194,775)
Dividends paid to non-controlling shareholders (note 11)	–	–	–	–	–	–	–	(1,930)	(1,930)
Transfer from retained profits	–	–	5,105	–	–	(5,105)	–	–	–
At 31 December 2021	2	2,666,835	134,424	(25,471)	136,130	1,077,134	3,989,054	58,807	4,047,861

* These reserve accounts comprise the consolidated reserves of RMB4,458,994,000 (2021: RMB3,989,052,000) in the consolidated statement of financial position

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**104,351**	(327,445)
Adjustments for:			
Bank interest income	*5*	**(5,403)**	(8,179)
Interest income from loan receivable	*5*	**–**	(1,003)
Finance costs	*7*	**2,858**	2,739
Depreciation of property, plant and equipment	*13*	**6,708**	7,895
Depreciation of right-of-use assets	*15*	**8,826**	8,265
Amortisation of other intangible assets	*14*	**22,775**	26,948
Share of losses of joint ventures	*6*	**938**	259
Share of losses of associates	*6*	**6,233**	1,247
Gain on disposal of associates	*5*	**–**	(131)
Loss on disposal of property, plant and equipment		**–**	485
Gain on lease termination	*15(c)*	**–**	(662)
Impairment losses on trade receivables	*22*	**24,071**	9,698
Impairment losses on financial assets included in prepayments, other receivables and other assets	*23*	**569**	602
Impairment of inventories	*6*	**3,188**	8,713
Gain on disposal of a subsidiary	*31*	**(1,630)**	–
Impairment of goodwill	*6*	**–**	380,731
Changes in fair value of financial assets at fair value through profit or loss	*6*	**(3,874)**	27,570
Equity-settled share award expense		**–**	27,396
Foreign exchange differences, net		**493**	1,421
		170,103	166,549
Decrease in trade and notes receivables		**208,751**	202,602
Decrease in prepayments, other receivables and other assets		**6,205**	17,030
Decrease in inventories		**117**	11,432
Increase in program copyrights		**(510)**	(13,807)
(Decrease)/increase in trade payables		**(90,280)**	46,788
Increase in other payables and accruals		**64,295**	11,991
Increase in restricted cash		**(18,724)**	(28,133)
Cash generated from operations		**339,957**	414,452
Interest received		**5,403**	8,179
Income tax paid		**(19,118)**	(13,468)
Net cash flows from operating activities		**326,242**	409,163

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(104,057)**	(27,744)
Purchases of leasehold land	*15(a)*	**–**	(99,577)
Prepayments for leasehold land		**–**	(418,310)
Proceeds from disposal of items of property, plant and equipment		**462**	49
Addition to other intangible assets		**(19,498)**	(20,363)
Purchase of shareholdings in a joint venture		**–**	(1,000)
Purchases of shareholdings in an associate		**(194,690)**	–
Proceeds from disposal of an associate		**1,000**	300
Disposal of a subsidiary	*31*	**(20,735)**	–
Loan to a joint venture	*35(a)*	**(18,300)**	(2,700)
Repayment from a third party		**9,000**	–
Loan to an associate	*35(a)*	**(251,163)**	–
Increase in restricted cash		**–**	(15,461)
Purchases of items of financial assets at fair value through profit or loss	*19*	**(4,309)**	–
Net cash flows used in investing activities		**(602,290)**	(584,806)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	*28*	**349,683**	–
Share issue expenses		**(9,464)**	(4,551)
Dividend paid to the then shareholders	*32(b)*	**–**	(63,362)
Repayment of the principal portion of lease liabilities		**(8,854)**	(8,155)
Capital contribution from non-controlling interests		**–**	6,580
Interest paid		**(998)**	(1,394)
Repayment of loans from related parties		**–**	(28,996)
Proceeds from loans from related parties		**–**	28,996
Repayment of bank loans		**–**	(100,000)
Acquisition of non-controlling shareholders		**–**	(6,000)
Capital reduction by non-controlling shareholders		**(19,600)**	(1,897,065)
Issue of shares		**–**	1,897,065
Net cash flows from/(used in) financing activities		**310,767**	(176,882)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**34,719**	(352,525)
Cash and cash equivalents at beginning of year		**547,182**	903,376
Effect of foreign exchange rate changes, net		**5,689**	(3,669)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*24*	**587,590**	547,182
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	*24*	**587,590**	547,182

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and principal place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai CanXing Culture & Media Co., Ltd. (b) ("Canxing Culture") 上海燦星文化傳媒股份有限公司*	People's Republic of China (the "PRC")/ Mainland China 24 March 2006	RMB 320,813,865	–	100	Variety program IP production, operation, and licensing
Star China International Media Co., Ltd. ("Star International") 星空華文國際傳媒有限公司*	PRC/Mainland China 26 April 2012	RMB 63,195,800	–	100	Provision of advertising and marketing solutions
Shanghai CanXing Film & Culture Co., Ltd. (b) ("Canxing Film") 上海燦星影視文化有限公司*	PRC/Mainland China 1 August 2018	RMB 10,000,000	–	78	Drama series operation and licensing

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows (Continued):

Name	Place and date of incorporation/ registration and principal place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Beiyi Culture & Media Co., Ltd. (b) ("Beiyi Culture") 上海北熠文化傳媒有限公司*	PRC/Mainland China 12 June 2020	RMB 3,000,000	–	100	Variety program IP production, operation, and licensing
CanXing International Media Limited ("Canxing International")	Hong Kong/ 1 December 2017	HKD 1,000,000	–	100	Variety program IP production, operation, and licensing
Mengxiang Qiangyin Culture Broadcast (Shanghai) Company Ltd. ("MXQY") 夢響強音文化傳播(上海)有限公司*	PRC/Mainland China 6 December 2012	RMB 30,000,000	–	100	Operation and licensing of music IP and artiste management
Mengxiang Dangran Music Culture & Communication (Shanghai) Co., Ltd. ("MXDR") 夢響當然音樂文化傳播(上海)有限公司*	PRC/Mainland China 25 November 2014	RMB 13,000,000	–	51	Music IP operation and licensing/ other IP-related business
Fortune Star Media Limited ("FSML")	Hong Kong/ 31 May 2010	HKD 10,000	100	–	Film IP library and licensing
Shanghai Xinfeng Culture Development Co., Ltd. ("Xinfeng Culture") 上海歆豐文化發展有限公司*	PRC/Mainland China 23 October 2019	RMB 400,000,000	–	100	Real estate development
Qinhan New City Star Chinese Culture Media Co., Ltd. (a) ("Qinhan New City") 秦漢新城星空華文文化傳媒有限公司*	PRC/Mainland China 29 November 2018	HKD 468,000,000	–	100	Cultural and art events planning

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows (Continued):

Name	Place and date of incorporation/ registration and principal place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Jiuwu Yisheng Cultural Culture & Communication Co., Ltd. (a) ("Shanghai Jiuwu Yisheng") 上海久吾一生文化傳媒有限公司*	PRC/Mainland China 16 June 2020	RMB 2,000,000,000	–	100	Conference and exhibition services
Shanghai Mengxiangshuian Enterprise Development Co., Ltd. ("MXSA") 上海夢響水岸企業發展有限公司*	PRC/Mainland China 30 September 2022	RMB 10,000,000	–	100	Consulting and exhibition services

Notes:

(a) These entities are registered as wholly-foreign-owned enterprises under PRC law.

(b) Due to regulatory prohibitions on foreign ownership in the radio and television program production, internet cultural activities, television drama production and value-added telecommunication services in the PRC, the business carried out by Canxing Culture and its subsidiaries, Canxing Film and Beiyi Culture (the "PRC Consolidated Entities") was prohibited or restricted from foreign ownership. The wholly-owned subsidiary of the Company, Shanghai Jiuwu Yisheng, has entered into a series of contractual arrangements (the "Contractual Arrangements") with the PRC Consolidated Entities and their respective equity holders (hereafter the equity holders of the PRC Consolidated Entities are referred to as the "Registered Shareholders"). The Contractual Arrangements enable Shanghai Jiuwu Yisheng to exercise effective control over the PRC Consolidated Entities and obtain substantially all economic benefits of the PRC Consolidated Entities. Accordingly, the Company regards the PRC Consolidated Entities as indirect subsidiaries and consolidated the assets, liabilities and results of operations of the PRC Consolidated Entities in the financial statements of the Group. These entities are owned through Contractual Arrangements.

* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

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

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual Framework for Financial Reporting (the "Conceptual Framework") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by *IAS 2 Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2023

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

3 No mandatory effective date yet determined but available for adoption

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20.00%
Motor vehicles	20.00%
Office equipment	20.00%~33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building and leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks

Trademarks are acquired in a business combination. Trademark with finite useful life is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful life of 20 to 30 years. The Group determines the useful life of trademarks with reference to the estimated periods that the Group intends to derive future economic benefits from the use of the assets.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 5 years.

Film rights

Film rights are stated at cost less accumulated amortisation and any impairment losses.

Film rights acquired separately are measured on initial recognition at cost. The cost of film rights acquired in a business combination is the fair value as at the date of acquisition. Film rights are subsequently amortised on a systematic basis, that reflects the pattern in which their future economic benefits are expected to be consumed by the Group. The cost of the film rights is allocated to three distinct film groups, which are identified based on the grading of each film, and is amortised based on the amortisation rate of each film group. The amortisation rate is the proportion of actual license of film rights in a particular film group granted during the year to the total estimated license of film rights in that particular film group expected to be granted. The total estimated license of film rights expected to be granted is reassessed by the Group at each financial year end based on the historical information and management judgement to reflect the change in expected pattern of consumption of future economic benefits embodied in the asset. The amortisation method is reviewed regularly, and revised if appropriate. Film rights are assessed for impairment whenever there is an indication that the film rights may be impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

Music copyrights

Music copyrights are stated at cost less accumulated amortisation and any impairment losses.

Music copyrights acquired separately are measured on initial recognition at cost. Music copyrights are subsequently amortised on a systematic basis, that reflects the pattern in which their future economic benefits are expected to be consumed by the Group. The pattern is based on management's estimate of the total license of music copyrights expected to be granted and on an accelerated amortisation rate. The total estimated licence of music copyrights expected to be granted and the amortisation rate are reassessed by the Group at each financial year end based on the historical information and management judgement to reflect the change in expected pattern of consumption of future economic benefits embodied in the asset. The amortisation method is reviewed regularly, and revised if appropriate. Music copyrights are assessed for impairment whenever there is an indication that the music copyrights may be impaired.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	3 – 5 years
Leasehold land	50 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt investments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments with embedded derivative which is required to be classified in its entirety as a financial asset at fair value through profit or loss. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, amounts due to related parties, interest-bearing bank borrowings and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, the financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct costs/expenses incurred during the purchase and development of scripts. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and sale.

Program copyrights

Program copyrights represent legal rights of variety programs and drama series held by the Group. These rights are stated at cost less accumulated amortisation and identified impairment loss.

Costs of variety program copyrights comprise fees/investments paid and payable for the production of program copyrights under agreements, direct costs/expenses incurred during the production. The cost of variety program copyright is amortised based on the broadcast of each episode of the variety program, normally within one year after the first customer's acceptance of the respective variety programs and is recognised as cost of sales in the statement of profit or loss. The period is determined based on the estimated beneficial period and individual title basis.

Costs of drama series comprise fees/investments paid and payable for the production of drama series under agreements, direct costs/expenses incurred during the production and the cost of purchased copyrights or broadcasting rights of drama series. Drama series are subsequently amortised on a systematic basis, that reflects the pattern in which their future economic benefits are expected to be consumed by the Group, normally within one year after the first customer's acceptance of the respective drama series and is recognised as cost of sales in the statement of profit or loss.

Program copyrights are assessed for impairment whenever there is an indication that the program copyrights may be impaired. Impairment loss is recognised in the statement of profit or loss. The recoverable amounts of the program copyrights are determined and reviewed on a title-by-title basis and are based on the higher of fair value less costs of disposal and value in use which include unobservable inputs and assumptions derived by the Group.

Any gain or loss arising from the disposal of program copyright is recognised in profit or loss. Gains or losses arising from the disposal of program copyright are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new variety programs is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the variety programs so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Variety program IP production, operation, and licensing

The Group creates and distributes variety programs to various media platforms, including major TV networks and online video platforms. In most cases, the Group jointly invests in the programs with the media platforms and shares the revenue from advertising sales. In other cases, the Group is commissioned by media platforms to produce programs or commercials for a fixed commission fee or license fee ("commissioned production model"). The Group develops its own program content and generally retains part or all of the IP rights on that content, except for the variety programs under commissioned production model. During the reporting period, the Group licenses customers the right to host offline entertainment events for singing, dance and talent competition shows in exchange for a fixed licensing fee.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Variety program IP production, operation, and licensing (Continued)

(i) Licensing of broadcasting rights of programs

Revenue from licensing of broadcasting rights of variety programs is recognised at the point in time when the licensed content is made available for the customer's use and benefit, typically when the variety program has been transferred and accepted by the media platform.

(ii) Revenue from collaborating with media platforms

Revenue from collaborating with media platforms is realised in the form of advertising sales. It is recognised at a point in time when each episode of the variety program is transferred to and accepted by the media platform, generally on the broadcast of the variety program.

(iii) Revenue from the production of commissioned variety programs

Revenue from the production of commissioned variety programs is recognised over time, using an output method to measure progress towards complete production of commissioned variety programs, because the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced.

(iv) Licensing of the right to host offline entertainment events

The Group authorises customers to use its brand and program materials for their offline marketing activities. Revenue from the licensing of the right to host offline entertainment events is recognised on a straight-line basis over the period as the Group's promise in granting the license is a promise to provide a right to access the Group's intellectual property.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) Music IP operation and licensing

The Group licenses content to the customers either on a fixed-payment basis or a minimum guarantee plus revenue-sharing basis.

For the licensing of individual songs, fixed payment and minimum guarantees are recognised when the licensed content is made available for the customer's use and benefit, typically upon the transfer of the licensed content to the customer. For the licensing of music library, the Group's performance obligation is to maintain the music library and grant the right to access such music library to customers which is satisfied over the specified licensing period. Royalties exceeding the minimum guaranteed amount are recognised when the usage of the licensed content exceeding specified thresholds occurs and the amount is based on the relevant monthly or quarterly reports provided by the respective operators.

(c) Drama series and film IP operation and licensing

Revenue from the licensing of drama series and films is recognised at the point in time when the licensed contents are available to the licencees, generally on delivery of the licensed contents after the start of the licensing period.

(d) Artiste management

The Group provides artiste management services by arranging its artistes to provide services to its customers, such as participating in concerts, tours, in-person appearances and sponsorship.

Revenue is recognised on a straight-line basis over the period that the artistes rendered relevant services to the organisers of the entertainment events and TV programs by attending those entertainment events and TV programs.

(e) Concert organisation and production

The Group organises concerts and earns revenue from ticket sales. Revenue from concert ticket sales is recognised over the contract period when the relevant concerts are held by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension schemes

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to the statement of profit or loss as incurred.

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government and the central government, respectively. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

One subsidiary of the Company operates an occupational retirement scheme registered under the Hong Kong Occupational Retirement Schemes Ordinance. This scheme has been granted exemption under the Hong Kong Mandatory Provident Fund Schemes Ordinance. When an employee leaves the scheme before his/her interest in the Company's employer contributions vesting fully, the ongoing contributions payable by the Company are reduced by the relevant amount of the forfeited employer's contributions.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vest fully, in accordance with the rules of the MPF Scheme.

Contributions to these schemes are based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the schemes. The assets of these schemes are held separately from those of the Group in independently administered funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The functional currency of the Company is RMB. As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the financial statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on changes in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Identifying performance obligations in a bundled sale of music copyright licensing arrangement

The Group is required to deliver licensed content from its existing musical content and additional musical content when it is produced in the future to operators of those third parties' online platforms. The Group licenses both content separately or within a bundle.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Identifying performance obligations in a bundled sale of music copyright licensing arrangement (Continued)

The Group determined that each existing song copyright licensing and each new song copyright licensing are each capable of being distinct. The fact that the Group regularly licenses both existing and new songs copyright on a standalone basis indicates that the customer can benefit from each product on their own. The Group also determined that the promises to license each existing song and each new song copyright are distinct within the context of the contract. The existing and new songs copyright licensing is not an input to a combined item in the contract. The Group is not providing a significant integration service because the presence of the existing and new songs copyright licensing together in the contract does not result in any additional or combined functionality. In addition, the existing and new songs copyright licensing is not highly interdependent or highly interrelated, because the Group would be able to provide the existing songs copyright licensing even if the customer declined the new songs copyright licensing and would be able to provide new songs copyright licensing in relation to other customers. Consequently, the Group has allocated a portion of the transaction price to the new songs copyright licensing and existing songs copyright licensing based on their relative stand-alone selling prices.

As for the contracts of licensing of music library, that typically contain a single performance obligation, which is ongoing access to all intellectual property in an evolving content library which is maintained by the Group on an ongoing basis. No transaction price allocation is needed. Revenue is recognised on a straight-line basis over the licensing period.

Principal versus agent

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal that controls the specified goods or services before they are transferred to a customer when: (i) the Group is primarily responsible for fulfilling the promise to provide the specified good or service; (ii) the Group has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; or (iii) the Group has discretion in establishing the price for the specified good or service.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Contractual Arrangements

The PRC Consolidated Entities are engaged in the radio and television program production, internet cultural activities, television drama production and value-added telecommunication services. Under the scope of "Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2021 Version)", foreign investors are prohibited to invest in such business.

As disclosed in note 1 to the financial statements, the Group exercises control over the PRC Consolidated Entities and enjoys substantially all economic benefits of the PRC Consolidated Entities through the Contractual Arrangements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing periods and days past due for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the media and entertainment sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The provision for impairment of trade receivables at 31 December 2022 amounted to RMB181,784,000 (31 December 2021: RMB164,126,000) details of which are set out in note 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Provision for expected credit losses on other receivables

The Group has applied the general approach to provide for expected credit losses for other receivables and considered the default event, historical loss rate and adjusted for forward – looking macroeconomic data in calculating the expected credit loss rate, details of which are set out in note 23 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB1,488,335,000 (31 December 2021: RMB1,465,276,000). Further details are given in note 16 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment, other intangible assets, and right-of-use assets, and investments in joint ventures and associates at 31 December 2022 in aggregate are RMB1,465,597,000 (31 December 2021: RMB1,136,133,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for impairment of financial assets, accrued expenses, payroll payable, deferred income and lease liabilities to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The unrecognised tax losses at 31 December 2022 amounted to RMB58,374,000 (31 December 2021: RMB46,185,000). Further details are contained in note 27 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Amortisation of film rights and music copyrights

The amortisation of film rights and music copyrights recognised as cost of sales for a given period is on a systematic basis, that reflects the pattern in which their future economic benefits are expected to be consumed by the Group. The total estimated license of film rights and music copyrights expected to be granted is estimated based on historical experience of the Group and they are reassessed by the Group at each financial year end based on the historical information and management judgement to reflect the change in expected pattern of consumption of future economic benefits embodied in the asset. The amortisation method is reviewed regularly, and revised if appropriate. The carrying amounts of film rights and music copyrights are disclosed in note 14 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2022 **RMB'000**	2021 RMB'000
Mainland China	**812,375**	1,045,035
Other regions	**61,050**	81,711
	873,425	1,126,746

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

(b) Non-current assets

	2022 **RMB'000**	2021 RMB'000
Mainland China	**2,541,462**	2,218,330
Other regions	**428,179**	383,079
	2,969,641	2,601,409

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

Information about major customers

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

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

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**873,425**	1,126,746

Revenue from contracts with customers

(i) Disaggregated revenue information

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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

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

(ii) Performance obligations

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

Variety program IP production, operation, and licensing

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

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

Music IP operation and licensing

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

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 31 December are as follows:

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

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of other income and gains is as follows:

	2022 RMB'000	2021 RMB'000
Other income		
Government grants-related to income*	**12,304**	26,953
Government grants-related to assets*	**5,671**	2,753
Bank interest income	**5,403**	8,179
Others	**2,469**	239
Interest income from loan receivable	**–**	1,003
	25,847	39,127
Gains		
Gain on the disposal of a subsidiary (note 31)	**1,630**	–
Gain from disposal of equipment	**72**	–
Gain on lease termination (note 15)	**–**	662
Gain on disposal of associates	**–**	131
	1,702	793
	27,549	39,920

* The government grants mainly represent incentives awarded by the local governments to support the Group's operation.

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of variety program IP production, operation, and licensing*		**538,029**	763,342
Cost of music IP operation and licensing		**16,419**	32,974
Cost of drama series and films IP operation and licensing		**10,340**	30,421
Cost of other IP related business		**27,564**	25,697
Depreciation of property, plant and equipment**	*13*	**6,708**	7,895
Depreciation of right-of-use assets	*15(c)*	**8,826**	8,265
Amortisation of other intangible assets***	*14*	**22,775**	26,948
Bank interest income	*5*	**(5,403)**	(8,179)
Interest income from loan receivable		**–**	(1,003)
Share of losses of joint ventures		**938**	259
Share of losses of associates		**6,233**	1,247
Lease payments not included in the measurement of lease liabilities	*15(c)*	**2,614**	3,152
Impairment losses on financial assets included in prepayments, other receivables and other assets, net	*23*	**569**	602
Impairment losses on trade receivables, net	*22*	**24,071**	9,698
Impairment of inventories****		**3,188**	8,713
Auditor's remuneration		**1,750**	205
Listing expenses		**36,235**	20,008
Impairment of goodwill	*16*	**–**	380,731
Equity-settled share award expense*****	*30*	**–**	27,396
Changes in fair value of financial assets at fair value through profit or loss		**(3,874)**	27,570
Research and development costs*		**43,093**	51,656
Gain on disposal of associates	*5*	**–**	(131)
Gain on disposal of a subsidiary	*31*	**(1,630)**	–

6. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

	Notes	**2022** **RMB'000**	2021 RMB'000
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages, salaries and bonuses		**84,983**	100,968
Pension scheme contributions (defined contribution scheme)		**10,256**	10,965
Staff welfare expenses		**1,347**	1,930
Equity-settled share award expense		**–**	24,500
		96,586	138,363

* The cost of variety program IP production, operation and licensing includes RMB40,616,000 relating to staff costs during the year (2021: RMB67,092,000, including equity-settled share award expense of RMB18,257,000), which are also included in "Employee benefit expense" disclosed above. Research and development costs RMB18,962,000 relating to staff costs during the year (2021: RMB17,832,000), which are also included in "Employee benefit expense" disclosed above.

** The depreciation of property, plant and equipment is included in "Cost of sales", "Selling and distribution expenses" and "Administrative expenses" in the consolidated statement of profit or loss.

*** The amortisation of trademarks, film rights and music copyrights are included in "Cost of sales" in the consolidated statement of profit or loss. The amortisation of software is included in "Administrative expenses" in the consolidated statement of profit or loss.

**** The impairment of inventories is included in "Cost of sales" in the consolidated statement of profit or loss.

***** The equity-settled share award expense is included in "Cost of sales", "Selling and distribution expenses" and "Administrative expenses" in the consolidated statement of profit or loss.

At 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on loans from third parties	**1,576**	–
Interest on lease liabilities	**998**	396
Interest on discounted notes receivable	**284**	1,345
Interest on bank borrowings	**–**	998
	2,858	2,739

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	**213**	213
Other emoluments:		
Salaries, allowances and benefits in kind	**5,032**	6,336
Pension scheme contributions	**315**	285
Equity-settled share award expense	**–**	2,896
	5,347	9,517
	5,560	9,730

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 **RMB'000**	2021 RMB'000
Mr. Chen Rehao	**71**	71
Mr. Li Liangrong	**71**	71
Mr. Sheng Wenhao	**71**	71
	213	213

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022				
Executive directors:				
Mr. Tian Ming*	**–**	**1,217**	**63**	**1,280**
Mr. Jin Lei	**–**	**1,069**	**63**	**1,132**
Ms. Wang Yan	**–**	**874**	**63**	**937**
Mr. Xu Xiangdong	**–**	**974**	**63**	**1,037**
Mr. Lu Wei	**–**	**898**	**63**	**961**
	–	**5,032**	**315**	**5,347**

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, a non-executive director and the chief executive (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2021					
Executive directors:					
Mr. Tian Ming*	–	1,884	–	57	1,941
Mr. Jin Lei	–	1,344	–	57	1,401
Ms. Wang Yan	–	1,092	826	57	1,975
Mr. Xu Xiangdong	–	1,092	–	57	1,149
Mr. Lu Wei	–	924	2,070	57	3,051
	–	6,336	2,896	285	9,517

* Mr. Tian Ming was also the chief executive of the Company during the year.

There were no fees and other emoluments payable to the non-executive director during the year (2021: Nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2021: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022	2021
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,564**	2,648
Performance related bonuses	**331**	195
Pension scheme contributions	**63**	57
Equity-settled share award expense	**–**	2,068
	2,958	4,968

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**–**	1
	2	2

During the years ended December 31, 2021 and 2022, no remunerations were paid by the Group to the non-director and non-chief executive highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

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

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

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

Canxing Culture and MXQY are qualified as High and New Technology Enterprises and were entitled to a preferential income tax rate of 15% (2021: 15%) during the year, which will expire on 12 November 2023.

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

	2022	2021
	RMB'000	RMB'000
Current – Charge for the year	**19,428**	41,034
Deferred tax (note 27)	**366**	(16,733)
Total tax charge for the year	**19,794**	24,301

10. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2022	2021
	RMB'000	RMB'000
Profit/(loss) before tax	**104,351**	(327,445)
Tax at the tax rate of 25%	**26,088**	(81,862)
Effect of preferential lower tax rates entitled	**(4,710)**	35,524
Profits and losses attributable to associates and joint ventures	**1,704**	221
Income not subject to tax	**(8,460)**	(9,334)
Effect of overseas withholding taxes	**11**	990
Expenses not deductible for tax*	**5,152**	73,506
Additional deductible allowance for research and development expenses	**(3,038)**	(3,409)
Profit and loss from disposal of subsidiaries	**–**	3,371
Tax losses not recognised	**3,047**	5,294
Tax charge at the Group's effective tax rate	**19,794**	24,301

* Expenses not deductible for tax mainly consist of equity-settled share award expense, impairment of goodwill, expenses without invoices and changes in fair value of financial assets at fair value through profit or loss. These expenses are not to be deductible for tax.

11. DIVIDENDS

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

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

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

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

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

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

	2022 **RMB'000**	2021 RMB'000
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**86,918**	(344,996)

	Number of Shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year	**383,520,850**	238,638,741

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022					
At 1 January 2022					
Cost	12,408	2,758	74,052	39,742	128,960
Accumulated depreciation	(8,788)	(884)	(64,908)	–	(74,580)
Net carrying amount	3,620	1,874	9,144	39,742	54,380
At 1 January 2022, net of accumulated depreciation	3,620	1,874	9,144	39,742	54,380
Additions	290	–	4,344	121,643	126,277
Disposals	(4)	–	(161)	(297)	(462)
Disposal of a subsidiary (note 31)	–	–	(221)	(882)	(1,103)
Depreciation provided during the year (note 6)	(1,395)	(613)	(4,700)	–	(6,708)
Exchange realignment	–	–	4	–	4
At 31 December 2022, net of accumulated depreciation	2,511	1,261	8,410	160,206	172,388
At 31 December 2022					
Cost	11,175	2,758	75,704	160,206	249,843
Accumulated depreciation	(8,664)	(1,497)	(67,294)	–	(77,455)
Net carrying amount	2,511	1,261	8,410	160,206	172,388

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021					
At 1 January 2021					
Cost	12,692	1,521	72,257	2,321	88,791
Accumulated depreciation	(7,144)	(476)	(59,696)	–	(67,316)
Net carrying amount	5,548	1,045	12,561	2,321	21,475
At 1 January 2021, net of accumulated depreciation	5,548	1,045	12,561	2,321	21,475
Additions	–	1,237	2,153	37,906	41,296
Disposals	–	–	(49)	(485)	(534)
Depreciation provided during the year (note 6)	(1,928)	(408)	(5,559)	–	(7,895)
Exchange realignment	–	–	38	–	38
At 31 December 2021, net of accumulated depreciation	3,620	1,874	9,144	39,742	54,380
At 31 December 2021					
Cost	12,408	2,758	74,052	39,742	128,960
Accumulated depreciation	(8,788)	(884)	(64,908)	–	(74,580)
Net carrying amount	3,620	1,874	9,144	39,742	54,380

14. OTHER INTANGIBLE ASSETS

	Trademarks RMB'000	Software RMB'000	Film rights RMB'000	Music copyrights RMB'000	Total RMB'000
31 December 2022					
At 1 January 2022					
Cost	**25,024**	**2,166**	**282,764**	**150,062**	**460,016**
Accumulated amortisation	**(10,573)**	**(1,004)**	**(163,899)**	**(131,273)**	**(306,749)**
Net carrying amount	**14,451**	**1,162**	**118,865**	**18,789**	**153,267**
Cost at 1 January 2022, net of accumulated amortisation	**14,451**	**1,162**	**118,865**	**18,789**	**153,267**
Additions	**–**	**19**	**–**	**19,479**	**19,498**
Disposals of a subsidiary (note 31)	**–**	**(19)**	**–**	**–**	**(19)**
Amortisation provided during the year (note 6)	**(998)**	**(218)**	**(6,365)**	**(15,194)**	**(22,775)**
Exchange realignment	**1,293**	**–**	**10,696**	**–**	**11,989**
At 31 December 2022, net of accumulated amortisation	**14,746**	**944**	**123,196**	**23,074**	**161,960**
At 31 December 2022					
Cost	**27,334**	**2,166**	**308,881**	**169,541**	**507,922**
Accumulated amortisation	**(12,588)**	**(1,222)**	**(185,685)**	**(146,467)**	**(345,962)**
Net carrying amount	**14,746**	**944**	**123,196**	**23,074**	**161,960**

14. OTHER INTANGIBLE ASSETS (CONTINUED)

	Trademarks RMB'000	Software RMB'000	Film rights RMB'000	Music copyrights RMB'000	Total RMB'000
31 December 2021					
At 1 January 2021					
Cost	25,610	2,166	289,379	129,699	446,854
Accumulated amortisation	(9,844)	(787)	(157,740)	(115,387)	(283,758)
Net carrying amount	15,766	1,379	131,639	14,312	163,096
Cost at 1 January 2021, net of accumulated amortisation	15,766	1,379	131,639	14,312	163,096
Additions	–	–	–	20,363	20,363
Amortisation provided during the year (note 6)	(965)	(217)	(9,880)	(15,886)	(26,948)
Exchange realignment	(350)	–	(2,894)	–	(3,244)
At 31 December 2021, net of accumulated amortisation	14,451	1,162	118,865	18,789	153,267
At 31 December 2021					
Cost	25,024	2,166	282,764	150,062	460,016
Accumulated amortisation	(10,573)	(1,004)	(163,899)	(131,273)	(306,749)
Net carrying amount	14,451	1,162	118,865	18,789	153,267

15. LEASES

The Group as a lessee

The Group has lease contracts for office premises and land used in its operations. Leases of office premises generally have lease terms within 3 to 5 years. Leases of land generally have lease terms within 50 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises RMB'000	Leasehold land RMB'000	Total RMB'000
As at 1 January 2021	12,897	–	12,897
Additions	2,992	99,577	102,569
Lease termination	(3,441)	–	(3,441)
Depreciation charge*	(8,265)	(1,494)	(9,759)
As at 31 December 2021 and 1 January 2022	**4,183**	**98,083**	**102,266**
Additions	**20,527**	**–**	**20,527**
Disposal of a subsidiary (note 31)	**(629)**	**–**	**(629)**
Depreciation charge*	**(8,826)**	**(1,992)**	**(10,818)**
As at 31 December 2022	**15,255**	**96,091**	**111,346**

* The depreciation of leasehold land is capitalised in "Property, plant and equipment" in the consolidated statement of financial position. The depreciation of office premises is included in "Administrative expenses" in the consolidated statement of profit or loss.

15. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 **RMB'000**	2021 RMB'000
Carrying amount at 1 January	**4,689**	13,955
New leases	**20,527**	2,992
Reduction as a result of lease termination	**–**	(4,103)
Reduction as disposal of a subsidiary (note 31)	**(800)**	–
Accretion of interest recognised during the year	**998**	396
Payments	**(9,852)**	(8,551)
Carrying amount at 31 December	**15,562**	4,689
Analysed into:		
Current portion	**7,892**	2,426
Non-current portion	**7,670**	2,263

The non-current portion of lease liabilities as at the end of the year is further analysed as follows:

	2022 **RMB'000**	2021 RMB'000
Repayable within		
1 to 2 years	**7,670**	1,533
2 to 5 years	**–**	730
	7,670	2,263

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

15. LEASES (CONTINUED)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**998**	396
Depreciation of right-of-use assets (note 6)	**8,826**	8,265
Gain on lease termination	**–**	662
Expenses relating to short term leases (included in administrative expenses)	**2,614**	3,152
Total amount recognised in profit or loss	**12,438**	12,475

(d) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

16. GOODWILL

	RMB'000
At 1 January 2021:	
Cost	2,238,627
Accumulated impairment	(386,779)
Net carrying amount	1,851,848
Cost at 1 January 2021, net of accumulated impairment	1,851,848
Exchange realignment	(5,841)
Impairment during the year (note 6)	(380,731)
At 31 December 2021	1,465,276
At 31 December 2021:	
Cost	2,232,786
Accumulated impairment	(767,510)
Net carrying amount	1,465,276

16. GOODWILL (CONTINUED)

	RMB'000
Cost at 1 January 2022, net of accumulated impairment	**1,465,276**
Exchange realignment	**23,059**
Cost and net carrying amount at 31 December 2022	**1,488,335**
At 31 December 2022:	
Cost	**2,255,845**
Accumulated impairment	**(767,510)**
Net carrying amount	**1,488,335**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

(a) MXQY cash-generating unit ("MXQY unit"), which engages in music IP operation and licensing and other IP-related business; and

(b) FSML cash-generating unit ("FSML unit"), which engages in drama series and film IP operation and licensing.

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

	2022 RMB'000	2021 RMB'000
MXQY unit	**1,215,624**	1,215,624
FSML unit	**272,711**	249,652
At end of year	**1,488,335**	1,465,276

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period for all units. Management considers that cash-generating unit's value in use is higher than its fair value less costs of disposal based on the current available information. The pre-tax discount rates applied to the cash flow projections, the budgeted gross margins and the growth rates beyond a five-year period used to extrapolate the cash flows of the above cash-generating units are as follows:

	2022	2021
	%	%
MXQY unit		
Budgeted gross margins	**59.90-60.93**	67.78-68.80
Pre-tax discount rates	**12.20**	12.43
Terminal growth rate	**0.00**	0.00
FSML unit		
Budgeted gross margins	**34.75-91.38**	37.09-86.65
Pre-tax discount rates	**12.00**	12.00
Terminal growth rate	**1.50**	1.50

Assumptions were used in the value in use calculation of the cash-generating units for the year. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year immediately before the budget year, adjusted for expected market development.

Pre-tax discount rates – The discount rates used are before tax. They are determined by reference to the average rates for similar industries and the business risks of the relevant business units as of 31 December 2021 and 31 December 2022, respectively.

Growth rates – The growth rates used are based on the historical data and management's expectation of the future market. The growth rates used to extrapolate the cash flows beyond the five-year period applied similar long term growth rates of music IP operation and licensing and other IP-related business and drama series and film IP operation and licensing industry as of 31 December 2021 and 31 December 2022, respectively.

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

The values assigned to the key assumptions on budgeted gross margins, discount rates and growth rates are consistent with management's past experience and external information sources.

As at 31 December 2022, the recoverable amount of the MXQY unit exceeds its carrying amount by RMB65,990,000. As at 31 December 2021, the Group recognised impairment of RMB380,731,000 due to the shift from exclusive license to non-exclusive license with online music platform primarily resulting from the new regulations promulgated by the government in 2021. The prices for non-exclusive licenses are lower than exclusive licenses. As at 31 December 2021 and 2022, the recoverable amount of the FSML unit exceeds its carrying amount by RMB154,942,000 and RMB188,979,000, respectively.

The following table illustrates the amounts by which the values assigned to the key assumptions must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amounts, in order for the two units' recoverable amounts to be equal to their carrying amounts.

	2022	2021
	%	%
MXQY unit		
Budgeted gross margins	**(2.25)**	N/A
Pre-tax discount rates	**0.44**	N/A
Terminal growth rate	**(3.84)**	N/A
FSML unit		
Budgeted gross margins	**(8.79)**	(7.54)
Pre-tax discount rates	**6.39**	5.28
Terminal growth rate	**(12.14)**	(9.83)

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

The following table sets forth the impact of reasonably possible changes in each of the key assumptions, with all other variables held constant, on goodwill impairment testing as of the dates indicated.

Possible changes of key assumptions	Recoverable amount of the cash-generating unit exceeding/(below) its carrying amount by	
	2022	2021
	RMB'000	RMB'000
MXQY unit		
Gross margins decrease by 1%	**29,266**	N/A
Gross margins decrease by 3%	**(20,134)**	N/A
Discount rates increase by 1%	**(44,313)**	N/A
Discount rates increase by 3%	**(201,730)**	N/A
Growth rates decrease by 1%	**39,518**	N/A
Growth rates decrease by 3%	**10,623**	N/A
FSML unit		
Gross margins decrease by 1%	**181,951**	148,160
Gross margins decrease by 3%	**167,894**	134,596
Discount rates increase by 1%	**145,814**	115,084
Discount rates increase by 3%	**78,397**	52,602
Growth rates decrease by 1%	**158,335**	127,085
Growth rates decrease by 3%	**110,667**	83,751

17. INVESTMENTS IN JOINT VENTURES

	2022 **RMB'000**	2021 RMB'000
Share of net assets	**402,036**	403,974

The Group's loan receivable balances due from a joint venture are disclosed in note 34 to the financial statements.

Particulars of the Group's material joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest/ profit sharing	Voting power	Principal activities
Mengxiang Qi'an Culture Development (Shanghai) Co., Ltd. ("*Mengxiang Qi'an*") 夢響啟岸文化發展(上海)有限公司	Ordinary shares	PRC/Mainland China	70%	50%	Real estate development

The Group owns 70% equity interests in Mengxiang Qi'an but only controls 50% voting rights with unanimous consent from all investors required for the relevant activities of Mengxiang Qi'an. Mengxiang Qi'an is accounted for as a joint venture of the Group. The Group's shareholdings in the joint venture comprise completely equity shares held through a wholly-owned subsidiary of the Company.

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The following table illustrates the summarised financial information in respect of Mengxiang Qi'an adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2022 **RMB'000**	2021 RMB'000
Cash and cash equivalents	**2,398**	9,268
Other current assets	**42,160**	40,030
Non-current assets	**1,440,787**	1,390,441
Current liabilities	**(351,347)**	(322,775)
Non-current liabilities	**(559,661)**	(541,283)
Net assets	**574,337**	575,681
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**70%**	70%
Group's share of net assets of the joint venture	**402,036**	402,977
Revenue	**–**	–
Loss for the year	**(1,334)**	(366)
Total comprehensive loss for the year	**(1,334)**	(366)

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

	2022 **RMB'000**	2021 RMB'000
Share of the joint venture's profits and losses for the year	**(4)**	(3)
Share of the joint venture's total comprehensive loss for the year	**(4)**	(3)
Aggregate carrying amount of the Group's investment in the joint venture	**–**	997

18. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	**617,867**	422,246

The Group's prepayments and loans to associates are disclosed in note 35 to the financial statements.

Particulars of the Group's material associates as at 31 December 2022 are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest/profit sharing	Voting power	Principal activities
Shaanxi Star Shuolan Real Estate Co., Ltd.* ("*Shuolan*") 陝西星空碩藍置業有限公司	Ordinary shares	PRC/Mainland China	40.00%*	40.00%	Real estate development and operation
Shaanxi Star Yuanlv Real Estate Co., Ltd.* ("*Yuanlv*") 陝西星空原綠置業有限公司	Ordinary shares	PRC/Mainland China	40.00%*	40.00%	Real estate development and operation
Shanghai Binqiao Enterprise management Co., Ltd. ("*Shanghai Binqiao*") 上海濱橋企業管理有限公司	Ordinary shares	PRC/Mainland China	17.59%	17.59%	Real estate development and operation

* On 7 July 2021, the Group set up two associates, Shuolan and Yuanlv, with 50% and 20% equity interest held by the Group, respectively. The Group's shareholding in these two associates were subsequently changed. As at 31 December2022, the Group's shareholding in these two associates were 40% and 40%, respectively. Further details are included in note 31 to the financial statements.

The Group's shareholdings in the above associates comprise completely equity shares held through a wholly-owned subsidiary of the Company.

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information in respect of Shuolan adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Current assets	**230**	14
Non-current assets	**128,980**	132,995
Current liabilities	**(13,433)**	(13,009)
Net assets	**115,777**	120,000
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**40%**	40%
Group's share of net assets of the associate	**46,311**	48,000
Revenue	**–**	–
Loss for the year	**(4,223)**	(1)
Total comprehensive loss for the year	**(4,223)**	(1)

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information in respect of Yuanlv adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022	2021
	RMB'000	RMB'000
Current assets	**927,602**	194,504
Non-current assets	**–**	734,415
Current liabilities	**–**	(817)
Net assets	**927,602**	928,102
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**40%**	40%
Group's share of net assets of the associate	**371,041**	371,241
Revenue	**–**	–
(Loss)/profit for the year	**(500)**	2,322
Total comprehensive (loss)/income for the year	**(500)**	2,322

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information in respect of Shanghai Binqiao adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022 **RMB'000**
Current assets	**2,528,112**
Non-current assets	**60**
Current liabilities	**(1,428,172)**
Net assets	**1,100,000**
Reconciliation to the Group's interest in the Associate:	
Proportion of the Group's ownership	**17.59%**
Group's share of net assets of the associate	**193,490**
Revenue	**–**
Profit for the year	**–**
Total comprehensive income for the year	**–**

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 **RMB'000**	2021 RMB'000
Share of the associates' losses for the year	**(4,344)**	(2,178)
Share of the associates' total comprehensive loss for the year	**(4,344)**	(2,178)
Aggregate carrying amount of the Group's investments in the associates	**7,025**	3,005

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
A listed equity investment, at fair value Tencent Music Entertainment Group	**22,288**	16,839
Other stock investments	**4,456**	–
	26,744	16,839

The above equity investments were classified as financial assets at fair value through profit or loss as they were mandatorily designated as such. The Group cannot transfer any of the above equity investments during a period commencing on the date of closing of the subscription and ending on the third anniversary of the closing date ("Lock-Up Period"). At any time after the closing date and prior to the expiration of the Lock-Up Period, the Group has right, but not the obligation, to cause Tencent Music Entertainment Group to purchase all or a portion of the above equity investments at the calculated price agreed in the investment contract. On 5 February 2021, the contractual restriction was lifted and the put option expired.

20. INVENTORIES

	2022 RMB'000	2021 RMB'000
Low-value consumable	**21**	138
Scripts	**–**	3,188
	21	3,326

21. PROGRAM COPYRIGHTS

(a) Program copyrights in the consolidated statement of financial position comprise:

	2022 RMB'000	2021 RMB'000
Program under production	**16,703**	16,193
Drama series	**93,432**	93,432
	110,135	109,625

(b) Movements of program copyrights are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**109,625**	95,818
Additions	**522,393**	17,952
Recognised as cost of sales	**(521,883)**	(4,145)
At end of year	**110,135**	109,625

22. TRADE AND NOTES RECEIVABLES

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

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.

22. TRADE AND NOTES RECEIVABLES (CONTINUED)

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:

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

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

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

Included in the Group's trade receivables were amounts due from the Group's related parties of RMB236,000 and RMB776,000 as at 31 December 2021 and 2022, respectively, which were repayable on credit terms similar to those offered to the major customers of the Group.

An impairment analysis is performed at the end of each reporting period using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by ageing and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

22. TRADE AND NOTES RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Trade receivables ageing					
	Current	**Less than 1 year past due**	**1 to 2 years past due**	**2 to 3 years past due**	**More than 3 years past due**	**Total**
Expected credit loss rate	**2.08%**	**2.08%**	**10.21%**	**24.59%**	**86.91%**	**22.82%**
Gross carrying amount (RMB'000)	**336,384**	**82,388**	**171,410**	**38,450**	**168,108**	**796,740**
Expected credit losses (RMB'000)	**7,004**	**1,716**	**17,505**	**9,454**	**146,105**	**181,784**

As at 31 December 2021

	Trade receivables ageing					
	Current	Less than 1 year past due	1 to 2 years past due	2 to 3 years past due	More than 3 years past due	Total
Expected credit loss rate	1.22%	1.22%	4.91%	35.39%	95.54%	16.23%
Gross carrying amount RMB'000	392,746	325,582	116,864	30,815	145,187	1,011,194
Expected credit losses RMB'000	4,793	3,973	5,741	10,904	138,715	164,126

The Group's notes receivable were all aged within one year and were neither past due nor impaired. As at the reporting date, the loss allowance was assessed to be minimal.

At the reporting date, the Group endorsed certain notes receivable accepted by certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of RMB16,564,000 (2021: RMB16,719,000) (the "Endorsement"). In addition, the Group discounted certain notes receivable (the "Discounted Notes") with carrying amounts in aggregate of nil as at 31 December 2022 (31 December 2021: RMB19,951,000) (the "Discount"). The above Discounted Notes included bank acceptance bills of nil as at 31 December 2022 (31 December 2021: RMB19,951,000). The Endorsed Notes have a maturity within eight months as at 31 December 2022. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and the Discounted Notes may exercise the right of recourse against any, several or all of the persons liable for the Endorsed Notes and Discounted Notes, including the Group, in disregard of the order of precedence (the "Continuing Involvement").

22. TRADE AND NOTES RECEIVABLES (CONTINUED)

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks with an amount of RMB10,564,000 as at 31 December 2022 (31 December 2021: RMB14,969,000) and the Discounted Notes accepted by large and reputable banks with amounts of nil as at 31 December 2022 (31 December 2021: RMB19,951,000) (the "Derecognised Notes"). The risk of the Group being claimed by the holders of the Derecognised Notes is remote in the absence of a default of the accepted banks. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade and other payables settled by the Endorsed Notes. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant. During the year ended 31 December 2022, the Group recognised the interest expense on the Discounted Notes receivable amounting to RMB284,000 (2021: RMB1,345,000). During the year ended 31 December 2022, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes (2021: Nil). No gains or losses were recognised from the Continuing Involvement. The Endorsement and Discount have been made evenly throughout the year.

The Group continued to recognise the remaining Endorsed Notes and the related trade payables with an amount of RMB6,000,000 as at 31 December 2022 (31 December 2021: RMB1,750,000), because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes. Subsequent to the Endorsement, the Group did not retain any rights on the use of such Endorsed Notes, including the sale, transfer or pledge of such Endorsed Notes to any other third parties.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Other receivables	**12,613**	14,892
Prepayment for PPE	**15,709**	–
Prepaid listing expenses	**–**	4,551
Loan receivable (Note)	**4,782**	11,268
Prepayments	**65,444**	76,856
Other current assets	**25,088**	17,090
	123,636	124,657
Impairment allowance	**(6,711)**	(6,142)
	116,925	118,515
Analysed into:		
Current portion	**101,216**	118,515
Non-current portion	**15,709**	–
	116,925	118,515

Note:

Included in the loan receivable, RMB1,000,000 and RMB2,514,000 as at 31 December 2022 (31 December 2021: RMB10,000,000 and nil) are the financial investments in two drama series provided to two third parties, respectively. The Group made investments in these drama series, under which the Group is entitled to a fixed investment return based on the principal investment amount, an agreed rate of return and investment period rather than exposure to the risk of variable returns of the invested drama series. The contractual interest rate of both loans is 10% per year. The loans are repayable by 31 December 2021 and 31 December 2023, respectively.

An impairment analysis was performed at the end of each reporting period. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

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

	Expected credit losses			
	Stage 1 RMB'000	**Stage 2 RMB'000**	**Stage 3 RMB'000**	**Total RMB'000**
At 1 January 2021	–	–	5,540	5,540
Impairment losses (note 6)	–	–	602	602
At 31 December 2021 and 1 January 2022	**–**	**–**	**6,142**	**6,142**
Impairment losses (note 6)	**–**	**–**	**569**	**569**
At 31 December 2022	**–**	**–**	**6,711**	**6,711**

24. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**587,590**	547,182
Restricted cash	**62,318**	43,594
	649,908	590,776
Less:		
Restricted cash		
for litigation	**(46,857)**	(28,133)
for leasehold land	**(15,461)**	(15,461)
Cash and cash equivalents	**587,590**	547,182
Denominated in RMB	**173,416**	472,723
Denominated in HKD	**335,274**	247
Denominated in USD	**67,905**	74,183
Denominated in EUR	**10,965**	–
Denominated in AUD	**30**	29
Cash and cash equivalents	**587,590**	547,182

24. CASH AND CASH EQUIVALENTS (CONTINUED)

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 31 December 2022, time deposits of RMB15,461,000 have been pledged for the purchase of leasehold land (31 December 2021: RMB15,461,000).

As at 31 December 2022, time deposits of RMB46,857,000 have been pledged for litigation as disclosed in note 33 to the financial statements (31 December 2021: RMB28,133,000).

25. 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:

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

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

Included in the trade payables are trade payables of RMB8,832,000 as at 31 December 2022 (31 December 2021: RMB8,649,000) due to the Group's related parties which are repayable within 30 days, which represented credit terms similar to those offered by the related parties to their major customers.

Included in the trade payables are liabilities arising from contracts with suppliers that are subject to legal cases of RMB440,000 as at 31 December 2022 (31 December 2021: RMB10,200,000), details of which are disclosed in note 33 to the financial statements.

26. OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Contract liabilities	*(a)*	**85,462**	19,732
Other payables	*(b)*	**101,417**	43,578
Payroll payable		**2,813**	7,042
Deferred income		**7,466**	9,947
Taxes payable other than corporate income tax		**8,690**	23,872
		205,848	104,171
Analysed into:			
Current portion		**186,673**	96,696
Non-current portion		**19,175**	7,475
		205,848	104,171

Notes:

(a) Details of contract liabilities as at the end of the reporting period are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
Short-term advances received from customers			
Variety program IP production, operation, and licensing	**2,680**	7,907	5,748
Music IP operation and licensing	**4,561**	1,499	596
Drama series and film IP operation and licensing	**71,177**	5,946	6,959
Other IP-related business	**7,044**	4,380	3,729
Total contract liabilities	**85,462**	19,732	17,032

Contract liabilities include short-term advances received to license variety programs, audios, films and other related services. The increase in contract liabilities in 2021 was mainly due to the increase in short-term advances received from customers in relation to variety program IP production, operation, and licensing at the end of 2021. The increase in contract liabilities in 2022 was mainly due to the increase in short-term advances received from customers in relation to drama series and film IP operation and licensing at the end of 2022.

(b) Other payables are non-interest-bearing and repayable on demand.

27. DEFERRED TAX

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

Deferred tax assets

	Impairment of trade receivables and other receivables RMB'000	Accrued expenses RMB'000	Deferred income RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	25,605	18,489	599	2,564	47,257
Deferred tax credited/(charged) to profit or loss during the year (note 10)	982	15,159	(60)	(2,015)	14,066
At 31 December 2021 and 1 January 2022	**26,587**	**33,648**	**539**	**549**	**61,323**
Deferred tax credited/(charged) to profit or loss during the year (note 10)	**1,605**	**(1,864)**	**(381)**	**1,759**	**1,119**
At 31 December 2022	**28,192**	**31,784**	**158**	**2,308**	**62,442**

27. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Fair value changes arising from financial assets at fair value through profit or loss RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Right-of-use assets RMB'000	Total RMB'000
As at 1 January 2021	–	4,725	2,333	7,058
Deferred tax charged to the statement of profit or loss during the year (note 10)	–	(824)	(1,843)	(2,667)
Exchange realignment	–	(95)	–	(95)
At 31 December 2021 and at 1 January 2022	**–**	**3,806**	**490**	**4,296**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**37**	**(339)**	**1,787**	**1,485**
Exchange realignment	**–**	**337**	**–**	**337**
As at 31 December 2022	**37**	**3,804**	**2,277**	**6,118**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**60,165**	60,833
Net deferred tax liabilities recognised in the consolidated statement of financial position	**3,841**	3,806

27. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2022	2021
	RMB'000	RMB'000
Tax losses	**58,374**	46,185
Impairment of program copyrights	**2,917**	2,917
	61,291	49,102

The Group has tax losses arising in Mainland China of RMB58,374,000 as at 31 December 2022 (31 December 2021: RMB46,185,000), that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At the reporting date, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,310,970,000 as at 31 December 2022 (31 December 2021: RMB1,214,495,000).

28. SHARE CAPITAL

	2022 USD	2021 USD
Authorised:		
50,000,000,000 (2021: 50,000,000,000) ordinary shares of USD0.000001 (2021: USD0.000001) each	**50,000**	50,000
Issued and fully paid:		
398,131,368 (2021: 383,399,768) ordinary shares of USD0.000001 (2021: USD0.000001) each	**398**	383

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

	Number of shares in issue	Share capital RMB'000
At incorporation on 29 March 2021	1	-*
New shares issued on 28 April 2021	318,707,882	2
New shares issued on 14 July 2021	10,205,901	-*
New shares issued on 31 August 2021	54,485,984	-*
At 31 December 2021 and 1 January 2022	**383,399,768**	**2**
New shares issued on 29 December 2022	**14,731,600**	**1**
At 31 December 2022	**398,131,368**	**3**

* The amounts of share capital were less than RMB500.

28. SHARE CAPITAL (CONTINUED)

On 29 March 2021, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial authorised share capital of the Company was US$50,000 divided into 50,000,000,000 shares of a par value of US$0.000001 each. On the same day, one subscriber share of the Company was allotted and issued to Mapcal Limited, the initial subscriber and an independent third party, at par, which then transferred such share to Harvest Sky Investment Holdings Limited at par.

On 28 April 2021, the Company issued 79,740,380 shares, 236,465,996 shares and 2,501,506 shares at par to Harvest Sky Investment Holdings Limited, Unionstars Investment Holdings Limited and Dream Radius Investment Holdings Limited, respectively.

On 14 July 2021, the Company issued 2,105,982 shares at par to Hanfor International Limited. On the same day, the Company issued 4,499,955 shares and 3,599,964 shares to Taobao China Holding Limited and Premier Asia Holdings Limited, respectively, at a total consideration of RMB360,000,000.

On 31 August 2021, the Company issued 1,800,000 shares, 1,800,000 shares, 864,000 shares, 900,000 shares, 21,851,163 shares, 2,741,860 shares, 6,877,373 shares, 4,151,721 shares, 7,739,924 shares, 3,599,964 shares and 2,159,979 shares to Beijing Langma Yongan Investment Management Co., Ltd., Jundu Derui Equity Investment Management Center of Ningbo Meishan Free Trade Port (L.P.), Xinyu Haikun Chongwei Investment Partnership (Limited Partnership), Suzhou Haikun Yujie Investment Center (Limited Partnership), Tibet Yuanhe Enterprise Management Co., Ltd., Shanghai Yanheng Investment Management Partnership (Limited Partnership), Pingtan Fenghuai Investment Management LLP, Shanghai Fengpu Investment Management LLP, Shanghai Aoxia Management Partnership (Limited Partnership), Ningbo Fanghua Investment Centre (Limited Partnership) and Ningbo Meishan Free Trade Port Fengcai Investment Management Partnership (Limited Partnership), respectively, at a total consideration of RMB1,537,065,000.

In connection with the Company's initial public offering, 14,731,600 ordinary shares of US$0.000001 each were issued at a price of HK$26.5 per share for a total cash consideration, before share issue expenses, of approximately HK$390,387,400 (equivalent to RMB349,683,000). Dealings in these shares on the Stock Exchange commenced on 29 December 2022.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group, details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

Pursuant to the shareholders' resolutions adopted by Canxing Culture on 14 May 2021, certain then shareholders ("16.32% non-controlling shareholders") of Canxing Culture exited from Canxing Culture by way of capital reduction in their equity holdings for a total consideration of RMB1,897,065,000. The reduction price of the 16.32% non-controlling shareholders exceeded the respective net assets attributable to the 16.32% equity interest, so the Group recorded the difference of RMB1,316,926,000 in capital reserve. After the capital reduction, all the 16.32% non-controlling shareholders, either by themselves or through designated offshore investment vehicles, subscribed for the shares of the Company representing their corresponding interests in Canxing Culture prior to the Reorganisation, at a total consideration of RMB1,897,065,000.

After the capital reduction of Canxing Culture, the remaining non-controlling shareholders ("1.20% non-controlling shareholders") of Canxing Culture and the Controlling Shareholders are the registered shareholders of Canxing Culture. Shanghai Jiuwu Yisheng entered into the Contractual Arrangements with the registered shareholders in order to exercise and maintain control over the operation of and obtain economic benefits from Canxing Culture and its subsidiaries which engaged in businesses subject to foreign ownership restrictions or prohibitions. With the effect of the Contractual Arrangements, the Group acquired the 1.20% non-controlling interest of Canxing Culture with no consideration. The Group recorded the respective net assets attributable to the 1.20% equity interest of RMB42,710,000 in capital reserve.

In connection with the Company's initial public offering, 14,731,600 ordinary shares of US$0.000001 each were issued at a price of HK$26.5 per share for a total cash consideration, before share issue expenses, of approximately HK$390,387,400 (equivalent to RMB349,683,000). Dealings in these shares on the Stock Exchange commenced on 29 December 2022.

29. RESERVES (CONTINUED)

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

30. SHARE AWARD

One of the Company's subsidiary, Canxing Culture adopted a share award scheme (the "Scheme") in order to recognise and reward the contribution of certain former employees to the growth and development of the Group, and retain certain eligible employees for the continual operation and development of the Group through an award of shares of the intermediate shareholders of Canxing Culture and CMC Asia Group Holdings Ltd. (an entity controlled by the Controlling Shareholders, "CMC Asia").

For the grants to the former employees, there are no service periods or performance target requirements. For other grants to the employees, there is no performance target requirements for the eligible employees except that each of them remains as an employee of the Group during the vesting period of five years.

The offer of a grant of the share awards may be accepted upon the date of offer, upon payment of a nominal consideration of RMB1.00 in total by the grantee.

The following share awards were outstanding under the Scheme during the Relevant Periods:

	Weighted average subscription price RMB per share	Number of shares
As at 31 December 2020 and at 1 January 2021	1.00	1,909,204
Forfeited during the year	1.00	(22,171)
Cancelled during the year	1.00	(1,887,033)
As at 31 December 2021 and at 31 December 2022	**1.00**	**–**

30. SHARE AWARD (CONTINUED)

The fair value of services received in return for shares granted was measured by reference to the fair value of shares granted and the subscription price paid by employees. The fair value of the shares granted is measured at the grant date by using the income approach (Discounted Cash Flow ("DCF") method, in particular) and back-solve method, as well as the equity allocation method is adopted to reflect the different features of the different class of shares. The fair value of shares granted were adjusted to take into account the terms and conditions upon which the shares were granted. No expected dividends of the shares granted was incorporated into the measurement of the fair value. Best estimates of key assumptions of the DCF method, such as the discount rates and projections of future performance, are required to be determined by management.

The share award scheme has been cancelled on 14 May 2021 and the share award expense of RMB27,396,000 was charged to profit or loss in 2021.

31. DISPOSAL OF SUBSIDIARIES

On 7 July 2021, the Group set up two associates, Shuolan and Yuanlv, with a third-party company to develop a piece of leasehold land in Xi'an. The Group's shareholding in these two associates were 50% and 20%, respectively.

On 12 July 2021, the Group set up two subsidiaries, Xixian New Area Qinhan Xincheng Shenlan Real Estate Co., Ltd ("Qinhan Shenlan", 西鹹新區秦漢新城深藍置業有限公司) and Xixian New Area Qinhan Xincheng Yuanlv Real Estate Co., Ltd ("Qinhan Yuanlv", 西鹹新區秦漢新城原綠置業有限公司), to purchase the leasehold land.

31. DISPOSAL OF SUBSIDIARIES (CONTINUED)

On 23 August 2021, the Group disposed the two subsidiaries, Qinhan Shenlan and Qinhan Yuanlv, to Shuolan and Yuanlv, respectively, with no consideration.

	Qinhan Shenlan RMB'000	Qinhan Yuanlv RMB'000
Net assets disposed of:		
Prepayments for leasehold land	64,525	353,785
Due from related parties	–	16,525
Due to related parties	(16,525)	–
Accruals and other payables	(48,000)	(370,310)
	–	–
Gain on disposal of subsidiaries	–	–
Consideration	–	–

There were no gain and no cash flows in respect of the disposal of these two subsidiaries.

On 22 September 2021, the Group acquired the remaining interest in Shuolan and Yuanlv due to the third-party company failing to pay the contribution to Shuolan and Yuanlv, respectively. The above transactions are accounted for as asset acquisitions as Shuolan and Yuanlv did not constitute businesses.

According to the cooperation agreement signed by the Group and Shanghai Zhouxing Investment Co., Ltd. (an entity controlled by one of the Controlling Shareholders, "SH Zhouxing") on 24 September 2021, the Group agreed to contribute RMB48,000,000 and RMB370,310,000 to Shuolan and Yuanlv, respectively, and SH Zhouxing agreed to contribute RMB72,000,000 and RMB555,470,000 to Shuolan and Yuanlv, respectively. Consequently, the equity interest of the Group in Shuolan changed from 50% to 40% and the equity interest of the Group in Yuanlv changed from 20% to 40%, respectively.

31. DISPOSAL OF SUBSIDIARIES (CONTINUED)

On 11 February 2022, the Group disposed 31% of its subsidiary, Shanghai Canteng Culture Media Co., Ltd. ("Canteng Culture"), at a cash consideration of RMB12,733,000. The Group accounted for the remaining 20% of Canteng Culture as an associate.

	RMB'000
Net assets disposed of:	
Cash and cash equivalents	33,468
Prepayments, other receivables and other assets	1,530
Right-of-use assets (note 15)	629
Property, plant and equipment (note 13)	1,103
Other intangible assets (note 14)	19
Lease liabilities (note 15)	(800)
Other payables and accruals	(131)
Non-controlling interests	(17,551)
	18,267
Gain on disposal of a subsidiary (note 5)	1,630
	19,897
Satisfied by:	
Cash	12,733
An associate acquired	7,164
	19,897

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration received	12,733
Cash and bank balances disposed of	(33,468)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(20,735)

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions:

For the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB20,527,000 (2021: RMB2,992,000), in respect of lease arrangements for office premises.

For the year ended 31 December 2022, the Group disposed of 31% of its subsidiary and accounted for the remaining 20% of Canteng Culture as an associate.

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

For the year ended 31 December 2021, prepayments for leasehold land of Qinhan Shenlan and Qinhan Yuanlv paid by the Group of RMB418,310,000 have been transferred to investments in associates, Shuolan and Yuanlv.

(b) Changes in liabilities arising from financing activities:

	Dividend payable RMB'000	Bank loans RMB'000	Lease liabilities RMB'000
At 1 January 2021	–	100,000	13,955
New leases	–	–	2,992
Dividend declared	196,705	–	–
Changes from financing cash flows	(63,362)	(100,998)	(8,551)
Changes from non-cash activities	(133,653)	–	(4,103)
Effect of foreign exchange rate changes	310	–	–
Interest expense accrued	–	998	396
At 31 December 2021 and 1 January 2022	**–**	**–**	**4,689**
New leases	**–**	**–**	**20,527**
Changes from financing cash flows	**–**	**–**	**(9,852)**
Changes from non-cash activities	**–**	**–**	**(800)**
Interest expense accrued	**–**	**–**	**998**
At 31 December 2022	**–**	**–**	**15,562**

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 **RMB'000**	2021 RMB'000
Within operating activities	**2,614**	3,152
Within financing activities	**9,852**	8,551
	12,466	11,703

33. 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 31 December 2022

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

33. CONTINGENT LIABILITIES (CONTINUED)

For the year ended 31 December 2021

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

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

Time deposits of RMB46,857,000 have been frozen by court, which is disclosed in note 24 to the financial statements.

For the year ended 31 December 2022, a subsidiary of the Group is still a defendant in a lawsuit brought by one party alleging that the subsidiary should pay the remuneration for its 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.

34. COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Leasehold land and construction in progress	**812,317**	886,002

In addition, the Group's share of the joint ventures' and associates' own capital commitments, which are not included in the above, is as follows:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Construction in progress	**68,328**	97,612
Inventory	**10,973**	–
	79,301	97,612

35. RELATED PARTY TRANSACTIONS

Details of the Company's related parties are as follows:

Name	Relationship with the Company
Star China Media Ltd. ("SCML")	An entity contro2lled by the Controlling Shareholders
Shanghai Minxing Culture Media Limited Partnership ("SH Minxing")	An entity controlled by one of the Controlling Shareholders
SH Zhouxing	An entity controlled by one of the Controlling Shareholders
Guangdong Nangua Cultural & Broadcasting Ltd. ("Guangdong Nangua")	An associate
Mengxiang Qi'an	A joint venture
Shuolan	An associate
Yuanlv	An associate
Shanghai Binqiao	An associate

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following transactions with related parties during the year:

	Notes	**2022 RMB'000**	2021 RMB'000
Loans to:			
Mengxiang Qi'an	*(i)*	**18,300**	2,700
Shanghai Binqiao	*(iv)*	**251,163**	–
		269,463	2,700
Loans from:			
SH Minxing	*(ii)*	**–**	9,670
SH Zhouxing	*(ii)*	**–**	19,326
		–	28,996
Rental paid by:			
SCML		**688**	705
Interest from:			
Mengxiang Qi'an		**369**	–
Royalty licensing fee from:			
SCML		**776**	478
Receiving services from:			
Guangdong Nangua	*(iii)*	**–**	81
SCML	*(iii)*	**183**	289
		183	370

Notes:

(i) The loans to Mengxiang Qi'an were unsecured and repayable on demand with interest rates ranging from 0.0% to 5.4%.

(ii) The loans from SH Minxing and SH Zhouxing were unsecured, interest-free and repayable on demand.

(iii) The services received from related parties were made based on the published prices and conditions offered by the related parties to their major customers.

(iv) The loans to Shanghai Binqiao of RMB250,811,000 were unsecured, interest-free and repayable on demand and the remaining loans to Shanghai Binqiao of RMB352,000 bear interest at the rate of 6% per annum.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

	Notes	2022 RMB'000	2021 RMB'000
Due from related parties (non-trade):			
Mengxiang Qi'an	*(i)*	**202,482**	183,813
Shanghai Binqiao	*(iii)*	**251,163**	–
Total		**453,645**	183,813
Trade receivables (trade):			
SCML		**776**	236
Prepayments (trade):			
Guangdong Nangua		**–**	3,000
Trade payables (trade):			
SCML	*(ii)*	**8,832**	8,649

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) Trade payables were unsecured and interest-free.

(iii) The loans to Shanghai Binqiao of RMB250,811,000 were unsecured, interest-free and repayable on demand and the remaining loans to Shanghai Binqiao of RMB352,000 bear interest at the rate of 6% per annum.

(c) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Salaries, bonuses, allowances and benefits in kind	**6,101**	7,681
Pension scheme contributions	**376**	340
Equity-settled share award expense	**–**	4,964
Total compensation paid to key management personnel	**6,477**	12,985

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at fair value through profit or loss mandatorily Designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	614,956	614,956
Notes receivable	–	11,000	11,000
Financial assets included in prepayments, other receivables and other assets	–	10,684	10,684
Due from related parties	–	453,645	453,645
Financial assets at fair value through profit or loss	26,744	–	26,744
Restricted cash	–	62,318	62,318
Cash and cash equivalents	–	587,590	587,590
	26,744	1,740,193	1,766,937

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	253,252	253,252
Financial liabilities included in other payables and accruals	101,417	101,417
	354,669	354,669

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2021

Financial assets

	Financial assets at fair value through profit or loss mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	847,068	847,068
Notes receivable	–	12,264	12,264
Financial assets included in prepayments, other receivables and other assets	–	20,018	20,018
Due from related parties	–	183,813	183,813
Financial assets at fair value through profit or loss	16,839	–	16,839
Restricted cash	–	43,594	43,594
Cash and cash equivalents	–	547,182	547,182
	16,839	1,653,939	1,670,778

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	343,532	343,532
Financial liabilities included in other payables and accruals	43,578	43,578
	387,110	387,110

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable (Level 2) RMB'000**	**Significant unobservable (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss	**26,744**	**–**	**–**	**26,744**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable (Level 2) RMB'000	Significant unobservable (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	16,839	–	–	16,839

The Group and the Company did not have any financial liabilities measured at fair value as at 31 December 2022 (2021: Nil).

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

During the year ended 31 December 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets. During the year ended 31 December 2021, the listed equity investment was transferred out of Level 3 to Level 1 due to the contractual restriction having been lifted since 5 February 2021, and no transfers into or out of Level 2 for financial assets.

Management has assessed that the fair values of cash and cash equivalents, trade and notes receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from related parties and interest-bearing borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of the restricted cash has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The carrying amount of the restricted cash is the same as its fair value.

The fair values of listed equity investments are based on quoted market prices.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the USD, HKD, EUR and AUD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2022			
If RMB weakens against HKD	**5**	**(15,667)**	**(13,082)**
If RMB strengthens against HKD	**(5)**	**15,667**	**13,082**
If RMB weakens against USD	**5**	**(609)**	**(17,600)**
If RMB strengthens against USD	**(5)**	**609**	**17,600**
If RMB weakens against AUD	**5**	**(1)**	**(1)**
If RMB strengthens against AUD	**(5)**	**1**	**1**
If RMB weakens against EUR	**5**	**(5)**	**(4)**
If RMB strengthens against EUR	**(5)**	**5**	**4**
2021			
If RMB weakens against HKD	5	(12)	(10)
If RMB strengthens against HKD	(5)	12	10
If RMB weakens against USD	5	(103)	(13,774)
If RMB strengthens against USD	(5)	103	13,774
If RMB weakens against AUD	5	(1)	(1)
If RMB strengthens against AUD	(5)	1	1

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year -end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	796,740	796,740
Notes receivable					
– Normal**	11,000	–	–	–	11,000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	10,684	–	–	–	10,684
– Doubtful**	–	–	6,711	–	6,711
Due from related parties					
– Normal**	453,645	–	–	–	453,645
Restricted cash					
– Not yet past due	62,318	–	–	–	62,318
Cash and cash equivalents					
– Not yet past due	587,590	–	–	–	587,590
	1,125,237	–	6,711	796,740	1,928,688

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	1,011,194	1,011,194
Notes receivable					
– Normal**	12,264	–	–	–	12,264
Financial assets included in prepayments, other receivables and other assets					
– Normal**	20,018	–	–	–	20,018
– Doubtful**	–	–	6,142	–	6,142
Due from related parties					
– Normal**	183,813	–	–	–	183,813
Restricted cash					
– Not yet past due	43,594	–	–	–	43,594
Cash and cash equivalents					
– Not yet past due	547,182	–	–	–	547,182
	806,871	–	6,142	1,011,194	1,824,207

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of notes receivable, financial assets included in prepayments, other receivables and other assets and amounts due from related parties is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 32.12% (2021: 33.34%) of the Group's trade receivables were due from the Group's largest debtor, and 66.61% (2021: 72.08%) of the Group's trade receivables were due from the Group's five largest debtors.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group maintains a balance between continuity of funding and flexibility through the use of lease liabilities and interest-bearing loans.

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2022				
	On demand RMB'000	**Less than 1 year RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Trade payables	**–**	**253,252**	**–**	**–**	**253,252**
Lease liabilities	**–**	**8,453**	**7,839**	**–**	**16,292**
Financial liabilities included in other payables and accruals	**101,417**	**–**	**–**	**–**	**101,417**
	101,417	**261,705**	**7,839**	**–**	**370,961**

	31 December 2021				
	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	343,532	–	–	343,532
Lease liabilities	–	2,658	2,348	–	5,006
Financial liabilities included in other payables and accruals	43,578	–	–	–	43,578
	43,578	346,190	2,348	–	392,116

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group regards equity attributable to owners of the parent as its capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank borrowings amounts, amounts due to related parties and lease liabilities. The gearing ratios as at the end of the reporting periods were as follows:

	2022 **RMB'000**	2021 RMB'000
Lease liabilities	**15,562**	4,689
Total debt	**15,562**	4,689
Total equity	**4,478,292**	4,047,861
Gearing ratio	**0.35%**	0.12%

39. SUBSEQUENT FINANCIAL STATEMENTS

There were no other significant events that required additional disclosure or adjustment occurred after the end of the reporting period.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,922,593**	1,922,593
Total non-current assets	**1,922,593**	1,922,593
CURRENT ASSETS		
Cash and cash equivalents	**315,917**	13,855
Prepayments, other receivables and other assets	**6,249**	4,727
Total current assets	**322,166**	18,582
CURRENT LIABILITIES		
Due to a subsidiary	**53,730**	62,065
Other payables and accruals	**14,241**	3,556
Total current liabilities	**67,971**	65,621
NET CURRENT ASSETS/(LIABILITIES)	**254,195**	(47,039)
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,176,788**	1,875,554
Net assets	**2,176,788**	1,875,554
EQUITY		
Share capital	**3**	2
Reserves (Note)	**2,176,785**	1,875,552
Total equity	**2,176,788**	1,875,554

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	–	–	–
Issue of shares	1,897,065	–	1,897,065
Loss for the year	–	(21,513)	(21,513)
At 31 December 2021 and 1 January 2022	**1,897,065**	**(21,513)**	**1,875,552**
Issue of shares	**340,218**	**–**	**340,218**
Loss for the year	**–**	**(38,985)**	**(38,985)**
At 31 December 2022	**2,237,283**	**(60,495)**	**2,176,785**

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2023.

Financial Summary

	Year ended 31 December			
	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**873,425**	1,126,746	1,559,945	1,806,593
GROSS PROFIT	**281,073**	274,312	587,433	704,884
IMPAIRMENT ON GOODWILL	**–**	(380,731)	(386,779)	–
PROFIT/(LOSS) BEFORE TAX	**104,351**	(327,445)	26,484	441,528
PROFIT/(LOSS) FOR THE YEAR	**84,557**	(351,746)	(37,946)	380,244
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	**127,363**	(364,260)	(93,996)	392,056
ADJUSTED NET (LOSS)/PROFITS	**120,792**	(304,342)	(66,500)	418,086

	Year ended 31 December			
	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets	**3,118,868**	2,722,675	2,547,950	2,978,193
Current assets	**1,878,563**	1,821,793	2,558,780	2,303,912
Total assets	**4,997,431**	4,544,468	5,136,730	5,282,105
LIABILITIES				
Non-current liabilities	**30,686**	13,544	18,273	15,992
Current liabilities	**488,453**	483,063	507,609	620,455
Total liabilities	**519,139**	496,607	525,882	636,447
EQUITY				
Equity attributable to owners of the parent	**4,458,997**	3,989,054	3,891,092	3,936,097
Non-controlling interests	**19,295**	58,807	689,756	709,561
Total equity	**4,478,292**	4,047,861	4,580,848	4,645,658

Definitions and Glossary of Technical Terms

"Articles of Association"	the articles of association of our Company adopted on December 9, 2022 with effect from the Listing Date (as amended from time to time);
"Audit Committee"	the audit committee of our Board;
"Beamingstars"	Beamingstars Investment Holdings Limited, a business company incorporated under the laws of the BVI on March 16, 2021 and owned as to 51.99% by SH Zhihua and 48.01% by Harvest Sky, being one of our controlling shareholders under the Listing Rules;
"Beijing Satellite TV"	Beijing Satellite TV (北京衛視), a TV network broadcast from Beijing;
"Big Five Satellite TV Networks in China"	the top five non-CCTV satellite TV networks in China in terms of ratings, namely Jiangsu Satellite TV, Zhejiang Satellite TV, Dragon Satellite TV, Hunan Satellite TV and Beijing Satellite TV;
"Board"	the board of Directors of our Company;
"BVI"	the British Virgin Islands;
"Canxing Culture"	Shanghai CanXing Culture & Media Co., Ltd. (上海燦星文化傳媒股份有限公司), a limited liability company established in the PRC on March 24, 2006 and is one of the Consolidated Affiliated Entities;
"Canxing Film"	Shanghai Canxing Film & Culture Co., Ltd. (上海燦星影視文化有限公司), a limited liability company established in the PRC on August 1, 2018 and a non-wholly owned subsidiary of Canxing Culture, being one of the Consolidated Affiliated Entities;
"China" or the "PRC"	the People's Republic of China, but for the purpose of this Report and for geographical reference only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, China;
"Chinese Culture"	CMC (Shanghai) and CMC (Tianjin);
"CMC (Shanghai)"	Chinese Culture (Shanghai) Equity Investment Center (L.P.) (華人文化產業股權投資(上海)中心(有限合夥)), a limited partnership incorporated in the PRC on December 31, 2009 and one of our controlling shareholders under the Listing Rules;

"CMC (Tianjin)"	Chinese Culture (Tianjin) Investment Management Co., Ltd. (華人文化(天津)投資管理有限公司), a company incorporated in the PRC on November 11, 2008, the general partner of CMC (Shanghai) and one of our controlling shareholders under the Listing Rules;
"Company"	STAR CM Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands on March 29, 2021;
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, WFOE, our Consolidated Affiliated Entities and the Registered Shareholders, as applicable;
"Consolidated Affiliated Entities"	the entities we control through the contractual arrangements, being Canxing Culture and its subsidiaries, namely Beiyi Culture and Canxing Film;
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2;
"Director(s)"	the director(s) of our Company;
"Douyin"	Douyin (抖音), a leading social media short-form video app for creating and sharing short lip-sync, comedy, and talent videos
"Dragon Satellite TV"	Dragon Satellite TV (東方衛視), a TV network of Shanghai Media Group (上海文廣新聞傳媒集團), broadcast from Shanghai;
"East Brothers"	East Brothers Investment Holdings Limited, a business company incorporated under the laws of the BVI on March 10, 2021 and owned as to 81.76% by Mr. Tian Ming, 6.22% by Mr. Jin Lei and 12.02% by Mr. Xu Xiangdong, being one of our controlling shareholders under the Listing Rules;
"Global Offering"	has the meaning ascribed to it in the Prospectus;

Definitions and Glossary of Technical Terms

"Group," "Our Group, "the Group," "we," "us," or "our"	our Company and our subsidiaries and Consolidated Affiliated Entities at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries or the Consolidated Affiliated Entities, the business operated by such subsidiaries or the Consolidated Affiliated Entities or their predecessors (as the case may be);
"Goldenbroad"	Goldenbroad Investment Holdings Limited, a business company incorporated under the laws of the BVI on March 10, 2021 and wholly owned by Mr. Jin Lei, being one of our controlling shareholders under the Listing Rules;
"Harvest Sky"	Harvest Sky Investment Holdings Limited, a business company incorporated under the laws of the BVI on March 10, 2021 and wholly owned by Mr. Tian Ming, being one of our controlling shareholders under the Listing Rules;
"Hunan Satellite TV"	Hunan Satellite TV (湖南衛視), a TV network broadcast from Changsha, Hunan Province
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board;
"IP"s	intellectual properties such as exiting variety programs, music works, films, drama series or other literary or artistic works, concepts, stories and expressions that can be used or considered, entirely or partially, to create and/or produce new variety programs, music works, drama series or films;
"iQIYI"	iQIYI (愛奇藝), a leading online video platform based in Beijing
"Jiangsu Satellite TV"	Jiangsu Satellite TV (江蘇衛視), a TV network broadcast from Nanjing, Jiangsu Province
"Latest Practicable Date"	April 18, 2023, being the latest practicable date for ascertaining certain information in this annual report before its publication;
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange;
"Listing Date"	December 29, 2022, the date on which our Shares were listed and on which dealings in our Shares were first permitted to take place on the Stock Exchange;

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
"Mr. Cao"	Mr. Cao Zhigao (曹志高) who joined our Group as chief operating officer of Canxing Culture;
"Mr. Tian"	Mr. Tian Ming (田明) who is the chairman of our Board, executive Director and chief executive officer of our Company;
"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;
"Registered Shareholders"	the registered shareholders of Canxing Culture, namely Shanghai Xingtou Investment Co., Ltd. (上海星投投資有限公司), Shanghai Zhouxing Investment Co., Ltd. (上海晝星投資有限公司), Mr. Tian, Mr. Cao and Hanfu (Beijing) Capital Management Co., Ltd. (漢富(北京)資本管理有限公司);
"Reporting Period"	the financial year ended December 31, 2022;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Shares"	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 Company's Share(s);
"SH Zhihua"	Shanghai Zhihua Enterprise Management Partnership (Limited Partnership) (上海至驊企業管理合夥企業(有限合夥)), a limited partnership incorporated in the PRC on March 23, 2021 and owned as to 1% by CMC (Tianjin) as its general partner and 99% by CMC (Shanghai) as its limited partner, being one of our controlling shareholders under the Listing Rules;

Definitions and Glossary of Technical Terms

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Tencent Video"	Tencent Video (騰訊視頻), a leading online video platform based in Shenzhen, Guangdong Province;
"Top Three Online Video Platforms in China"	the top three online video platforms in China in terms of market share, namely, Youku, iQIYI and Tencent Video;
"VIE"	variable interest entity or variable interest entities;
"Youku"	Youku (優酷), a leading online video platform based in Beijing; and
"Zhejiang Satellite TV"	Zhejiang Satellite TV (浙江衛視), a TV network under Zhejiang Radio and Television Group (浙江廣播電視集團), broadcast from Hangzhou, Zhejiang Province