

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**STARLIGHT CULTURE
ENTERTAINMENT**

STARLIGHT CULTURE ENTERTAINMENT GROUP LIMITED

星光文化娛樂集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1159)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

AUDITED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Starlight Culture Entertainment Group Limited (the “**Company**”) hereby announces its audited annual consolidated results (“**Audited Results**”) for the year ended 31 December 2023, together with the corresponding comparative figures for the year ended 31 December 2022 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

		2023	2022
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
REVENUE	6	80,336	60,247
Cost of sales		<u>(65,234)</u>	<u>(56,219)</u>
Gross profit		15,102	4,028
Other income and gains		9,745	6,239
Selling and distribution expenses		(8,344)	(13,842)
Administrative expenses		(26,094)	(27,784)
Net impairment of financial and contract assets		(2,983)	(43,523)
Impairment of film investments		(896)	(11,738)
(Impairment)/reversal of impairment of prepayments, other receivables and other assets		(7,044)	2,709
Changes in fair value of financial and derivative financial liabilities		(1,311)	(7,047)
Other expenses		(5,837)	(14,409)
Finance costs	8	<u>(22,122)</u>	<u>(26,372)</u>
LOSS BEFORE TAX	7	(49,784)	(131,739)
Income tax credit/(expense)	9	<u>3,910</u>	<u>(3,458)</u>
LOSS FOR THE YEAR		<u>(45,874)</u>	<u>(135,197)</u>

	2023	2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:		
– Owners of the parent	(45,720)	(135,867)
– Non-controlling interests	<u>(154)</u>	<u>670</u>
	<u>(45,874)</u>	<u>(135,197)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT		
<i>11</i>		
Basic and diluted loss per share (<i>HK\$ cents</i>)	<u>(5.55)</u>	<u>(16.50)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE YEAR	(45,874)	(135,197)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of foreign operations, net of nil tax	<u>(1,839)</u>	<u>(6,305)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(1,839)</u>	<u>(6,305)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(47,713)</u>	<u>(141,502)</u>
Attributable to:		
– Owners of the parent	(47,560)	(142,168)
– Non-controlling interests	<u>(153)</u>	<u>666</u>
	<u>(47,713)</u>	<u>(141,502)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		276	885
Right-of-use assets		1,534	1,631
Prepayments, other receivables and other assets		290,108	297,224
Investment in films, television programs and program rights		11,715	11,718
		<hr/>	<hr/>
Total non-current assets		303,633	311,458
CURRENT ASSETS			
Trade receivables	<i>12</i>	12,006	4,054
Prepayments, other receivables and other assets		97,728	102,701
Contract assets		11,163	3,135
Investment in films, television programs and program rights		–	65,954
Cash and cash equivalents		52,003	79,420
		<hr/>	<hr/>
Total current assets		172,900	255,264
CURRENT LIABILITIES			
Other payables and accruals		104,256	120,060
Contract liabilities		36,581	64,499
Interest-bearing borrowings and film investment loans		441,696	469,109
Derivative financial liabilities		36,984	13,808
Financial liabilities at fair value through profit or loss		196,464	185,250
Amount due to a shareholder		1,099	1,132
Lease liabilities		1,209	1,715
Tax payable		36,046	41,561
		<hr/>	<hr/>
Total current liabilities		854,335	897,134
NET CURRENT LIABILITIES		(681,435)	(641,870)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		(377,802)	(330,412)
		<hr/>	<hr/>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT LIABILITY			
Lease liabilities		<u>448</u>	<u>125</u>
Net liabilities		<u>(378,250)</u>	<u>(330,537)</u>
EQUITY			
Share capital	<i>13</i>	82,356	82,356
Reserves		<u>(460,100)</u>	<u>(412,540)</u>
Equity attributable to owners of the parent		(377,744)	(330,184)
Non-controlling interests		<u>(506)</u>	<u>(353)</u>
Net deficit		<u>(378,250)</u>	<u>(330,537)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Starlight Culture Entertainment Group Limited (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company has been changed from Room 1002, 10th Floor, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong to Room 1201, 12th Floor, 1111 King’s Road, Taikoo Shing, Hong Kong with effect from 1 March 2024.

During the year and up to 31 December 2023, the Company and its subsidiaries (the “**Group**”) were involved in the media and culture business.

In the opinion of the directors of the Company (the “**Directors**”), the single largest shareholder of the Company is Timcha Investment Limited (“**Timcha**”), a company wholly owned by 江陰星輝文化傳播有限公司 (Jiangyin Starlight Communications Co., Ltd.*), a limited company incorporated in the People’s Republic of China (the “**PRC**”). In the opinion of the Directors, as of 31 December 2023, the Company had no single controlling shareholder.

* *The English name of the entity registered in the PRC represents the best efforts made by the management of the Company to translate its Chinese name as the entity does not have an official English name. The English translation of the name is for identification purposes only.*

2. BASIS OF PREPARATION

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

Going concern assumption

The Group incurred net loss of HK\$45,874,000 for the year ended 31 December 2023. As at 31 December 2023, the Group had net current liabilities and net deficit of HK\$681,435,000 and HK\$378,250,000 respectively. As at 31 December 2023, the Group defaulted on repayment of certain interest-bearing borrowings and film investment loans (including those classified as financial liabilities at fair value through profit or loss and derivative financial liabilities) with principal amounts of HK\$500,521,000, and have a further interest-bearing borrowings and film investment loans (including those classified as financial liabilities at fair value through profit or loss and derivative financial liabilities) with principal amount of HK\$174,623,000 which were repayable within one year. These borrowings and film investment loans of HK\$675,144,000 in total exceed the Group's cash and cash equivalents of HK\$52,003,000 as at 31 December 2023.

In view of these circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure, to improve the financial position of the Group, and to remediate the overdue repayments to the lenders:

- (a) The Group has been actively negotiating with all of the lenders for renewal and extension for repayments of the overdue borrowings to reduce the liquidity pressure of the Group.
- (b) The Group has also been negotiating with various financiers and potential investors of the film industry to secure new sources of finance and identifying various options for financing the Group's working capital and commitments in the foreseeable future. The Directors believe that, considering the Group's track record of film investments and relationship with famous film directors, the Group will be able to obtain new financing.
- (c) The Group will continue to implement business strategy to enhance the Group's profitability and cash inflows.

- (d) The Group will continue to take active measures to control costs and prioritise film investments expenditures so as to improve the Group's cash outflows.

The Directors have reviewed the Group's cash flow forecast prepared by management which covers a period of fifteen months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2023 on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Group will be able to continue as a going concern for a period of fifteen months from the end of the reporting period would depend upon the following:

- (a) New sources of finance will be obtained to support the Group's operating and financing cash flows;
- (b) Re-financing or extensions will be obtained for the Group's existing borrowings and film investment loans (including those classified as financial liabilities at fair value through profit or loss and derivative financial liabilities);
- (c) The Group's business strategy will be implemented effectively; and
- (d) The Group's cost control strategies on its selling, distribution and administrative costs and film investment expenditures will be implemented effectively.

Should the Group be unable to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments may have to be made to write down the carrying values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. 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, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and amendments to HKFRSs for the first time for the current year's consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Return – Pilar Two Model Rules</i>

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these consolidated financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. The adoption of amendments to HKAS 12 did not have any significant impact on the Group's consolidated financial statements.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”), which will come into effect from 1 May 2025 (the “**Transition Date**”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to Mandatory Provident Fund (“**MPF**”) scheme to reduce the long service payment (“**LSP**”) in respect of an employee’s service from the Transition Date (the abolition of the “**offsetting mechanism**”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. The abolition of the offsetting mechanism did not have a material impact on the Group’s results and financial position.

4. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective for the year ended 31 December 2023 and have not been early adopted in these consolidated financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback¹</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)^{1,4}</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)^{1,4}</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements¹</i>
Amendments to HKAS 21	<i>Lack of Exchangeability²</i>

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

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

³ The effective date is to be determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause, was revised to align the corresponding wording with no change in conclusion

The Group is in the process of making an assessment of what the impact of these amendments to HKFRSs is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

5. OPERATING SEGMENT INFORMATION

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

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-makers in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

The Group mainly operates in USA, Hong Kong and the PRC, and the geographical segment information as required by HKFRS 8 “Operating Segments” is presented as follows:

(a) Revenue from external customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
USA	<u>80,336</u>	<u>60,247</u>

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

(b) Non-current assets

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
USA	292,109	300,580
Hong Kong	<u>900</u>	<u>251</u>
	<u>293,009</u>	<u>300,831</u>

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

Information about major customers

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	70,529	48,635
Customer B	<u>8,298</u>	<u>8,064</u>
	<u><u>78,827</u></u>	<u><u>56,699</u></u>

6. REVENUE

Revenue from contracts with customers

Disaggregated revenue information

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from films generated from USA market, and recognised at a point in time	<u><u>80,336</u></u>	<u><u>60,247</u></u>

7. LOSS BEFORE TAX

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

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Amortisation of investment in films, television programs and program rights		65,234	56,219
Depreciation of property, plant and equipment		533	858
Depreciation of right-of-use assets		1,899	2,560
Lease payments not included in the measurement of lease liabilities		439	258
Auditor's remuneration		1,880	2,000
Employee benefit expense (excluding directors' and chief executive's remuneration):			
– Wages and salaries		5,029	10,503
– Pension scheme contributions		99	122
Total		5,128	10,625
Net impairment of financial and contract assets:			
– Impairment of trade receivables, net	<i>12</i>	646	26,675
– Impairment of contract assets, net		2,337	16,848
Total		2,983	43,523
Impairment of film investments		896	11,738
Impairment/(reversal of impairment) of prepayments, other receivables and other assets		7,044	(2,709)
Fair value losses/(gains), net:			
– Derivative financial liabilities		23,176	(2,363)
– Financial liabilities at fair value through profit or loss		(21,865)	9,410
Total		1,311	7,047

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on interest-bearing borrowings and film investment loans	22,033	26,189
Interest on lease liabilities	89	183
	<hr/>	<hr/>
Total	<u>22,122</u>	<u>26,372</u>

9. INCOME TAX

Pursuant to the rules and regulations of Bermuda, British Virgin Islands (“BVI”) and Seychelles, the Group is not subject to any income tax in Bermuda, BVI and Seychelles.

No provision for Hong Kong Profits Tax was made as the Group did not generate any assessable profits in Hong Kong for the years ended 31 December 2023 and 2022.

No provision for the PRC Enterprise Income Tax has been made as the subsidiaries in the PRC did not generate any assessable profits in the PRC for the years ended 31 December 2023 and 2022.

The subsidiaries in USA are subject to Federal Corporate Tax and State Income Tax. The federal corporate tax rate was 21% and the state income tax rate was 7% for the years ended 31 December 2023 and 2022.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
USA		
– Current tax	262	3,458
– Over-provision in prior years	(4,172)	–
	<hr/>	<hr/>
Total income tax (credit)/expense for the year	<u>(3,910)</u>	<u>3,458</u>

10. DIVIDENDS

No dividend has been paid or declared during the years ended 31 December 2023 and 2022. The Directors do not recommend the payment of any final dividends for the years ended 31 December 2023 and 2022.

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic and diluted loss per share amounts is based on loss for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 823,564,799 (2022: 823,564,799) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

	2023 HK\$'000	2022 HK\$'000
Loss attributable to owners of the parent	(45,720)	(135,867)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>823,564,799</u>	<u>823,564,799</u>
Basic and diluted loss per share (HK\$ cents)	<u>(5.55)</u>	<u>(16.50)</u>

12. TRADE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	111,500	105,291
Impairment	<u>(99,494)</u>	<u>(101,237)</u>
Net carrying amount	<u>12,006</u>	<u>4,054</u>

Trade receivables from royalties from films are due when reported to the Group, and normally settled within one year. Trade receivables from sales of investment in television programs and program rights are due based on the payment schedule specified in contracts. Trade receivables from other revenue sources are generally due within one year from the date of provision of services. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

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

	2023	2022
	HK\$'000	HK\$'000
Within 6 months	12,006	4,042
Over 12 months	<u>–</u>	<u>12</u>
Total	<u>12,006</u>	<u>4,054</u>

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

	2023	2022
	HK\$'000	HK\$'000
At 1 January	101,237	80,910
Impairment losses, net (<i>note 7</i>)	646	26,675
Exchange realignments	<u>(2,389)</u>	<u>(6,348)</u>
At 31 December	<u>99,494</u>	<u>101,237</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region 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.

13. SHARE CAPITAL

	2023	2022
	HK\$'000	HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.10 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
823,564,799 (2022: 823,564,799) ordinary shares of HK\$0.10 each	<u>82,356</u>	<u>82,356</u>

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

	Number of shares in issue	Share capital <i>HK\$'000</i>
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>823,564,799</u>	<u>82,356</u>

14. EVENT AFTER THE REPORTING PERIOD

- (a) On 8 January 2024, the Company completed the placement of 162,000,000 shares with an aggregate nominal value of HK\$16,200,000 and raised net proceeds of approximately HK\$26,400,000.
- (b) On 4 January 2024, the Company entered into a strategic cooperation framework agreement with Greenland Digital Technology Co., Ltd. Pursuant to which the Company is entitled to improve the development on metaverse business, advance its digital product platform construction and expand crossborder e-commerce operations.

15. LITIGATION AND CLAIMS

- (a) On 22 September 2022, a company incorporated in the PRC has filed a writ of summons for a legal proceedings against a subsidiary of the Group (the "**Subsidiary**") in relation to, inter alia, a claim for a repayment of investment principal of US\$804,000 (equivalent to approximately HK\$6,279,000) and the corresponding interests in respect of a co-investment agreement for a movie titled "Midway" (the "**Co-Investment Agreement**").

On 10 January 2024, the Subsidiary received a final court judgement mandating payment of investment principal of US\$804,000 (equivalent to HK\$6,279,000), along with corresponding interests of US\$239,000 (equivalent to HK\$1,867,000). Management considered that the relevant balances (including the corresponding interests thereof) recognised by the Group under the Co-Investment Agreement as at 31 December 2023 is sufficient and therefore the subsequent final court judgement will not have a material impact to the Group's consolidated financial statements.

- (b) On 3 March 2023, a company incorporated in the PRC has filed a Notice of Arbitration with Hong Kong International Arbitration Centre to commence an arbitral proceedings against the Subsidiary and the Company in relation to, inter alia, a claim for a repayment of investment principal of US\$3,000,000 (equivalent to approximately HK\$23,495,000) in respect of an alleged investment agreement (the "**Investment Agreement**") for a movie titled "Malignant". The Tribunal has not been heard at the date of these consolidated financial statements. Management considered that the Group's exposures from the claim is insignificant considering a separate agreement entered into between the Group, the claimant and an independent third party on 23 May 2019 to transfer this investment to the independent third party.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

In recent years, the media business of the Group has been affected by the COVID-19 pandemic which has spread all over the world in the year of 2019 the strikes of the Writers Guild of America and Screen Actors Guild-AFTRA in 2023. Delays in distribution, settlement as well as receipt of income of TV drama and film investments of the Company significantly and negatively affected the operating results regarding these investments, which has been reducing the amount of revenue and gross profit recognized for a few years. The slow-down of business activities and postponement of some of the film and TV drama projects developed by the Group in prior years have impacted on the financial results of the Group.

Revenue and gross profit from its media and culture business for the year of 2023 was approximately HK\$80.3 million and HK\$15.1 million respectively (2022: revenue of approximately HK\$60.2 million and gross profit of approximately HK\$4.0 million).

The Group reported a net loss attributable to owners of the Company of approximately HK\$45.7 million for the year ended 31 December 2023 (2022: approximately HK\$135.9 million).

Media and Culture

The Group's movies and TV drama series products and investments, projects incubated by film directors and related prepayments amounted to approximately HK\$291.2 million as at 31 December 2023, and the followings are some highlights:

Media investments and products

Crazy Rich Asians

The movie was invested and released by Warner Bros. Pictures, co-invested by the Group and directed by director Jon M. Chu (who has entered into an agreement with the Group), and was released in August 2018. The film was adapted from a best-selling novel written by Kevin Kwan under the same title, which has a solid reader base. The movie stars Constance Wu, Henry Golding, Michelle Yeoh, and etc. The highly anticipated movie is the first major film that is not a period piece in Hollywood in two and a half decades to feature an all ethnically Asian cast. As the first adapted work of the novel series, there is also expectation for it to develop into commercially successful film series where the stories of the two sequels mainly take place in China. To date, according to Box Office Mojo, its worldwide gross is US\$238,532,921.

Greta

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

Midway

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

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

Scary Stories to Tell in the Dark

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

Malignant

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

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

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

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

Marshall

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

Umma

“Umma” is a film that stands out for its fusion of horror with a poetic and lyrical representation of Asian culture. The film was distributed by Sony Pictures on March 15, 2022. It was produced by the renowned horror maestro Sam Raimi, who is known for his work on the “Spider-Man” series and “The Evil Dead” series. The director and writer of the film, Iris K. Shim, had previously been acclaimed for her documentary “The House of Suh,” which won six awards. The lead role in “Umma” was played by the talented Sandra Oh, who was celebrated as the first Asian actress to win a Golden Globe in 40 years. Her collaboration with Sam Raimi and Iris K. Shim brought a fresh and innovative perspective to Hollywood horror. It garnered interest from major studios and was praised for its unique blend of horror with an intimate portrayal of East Asian culture. With the backing of Sony Pictures, “Umma” made a significant impact in the film industry upon its release in 2022 and won the ReFrame Stamp award.

My Robot Boyfriend

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

PROJECTS INCUBATING BY FILM DIRECTORS

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

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

Under the agreements, the Group has developed 44 feature projects, 38 among which have developed completed scripts.

Here are the projects developed under Development/Production Financing Agreements:

James Wan (9)	Malignant, Sentinel, Alien Santa, Golden, Roswell, The Magnificent Theater of Enchanted Puppet, The Call of Cthulhu, Mass Extinction, Border Patrol
Jon M. Chu (6)	Here and Now and Then, The Godfather, Sophia of Silicon Valley, Human Error, Cul-De-Sac, Project Human
Sam Raimi (7)	The Procession, Untitled Rob Savage Project, Bedtime Story, Umma, Sword of the Dead, Smooth Stones and Empty Bones, Little Snake
Nattawut Poonpiriya (2)	The Innkeeper, Homelands
Robert Zemeckis (2)	The Prisoner in His Palace, Empress Wu
Alan Taylor (2)	Gold Mountain, Stone Junction
Roland Emmerich (2)	Dreamland, Emergence
Jonathan Liebesman (1)	Scorpion
Sylvester Stallone (10)	Tier 1, Scavenger Hunt, Bellhop, Arcane, Dark Waters, Hunter, The Line that Held Us, Perfect Horse, Ghost, Safecracker
F Gary Gray (3)	Saints Row, Untitled Golf Action Comedy, Echo

Meanwhile, the Group has jointly developed 12 projects with A-list talents through collaboration, including: The Burden, GMO, Hunting Season, The Troop, The Devil Came to Saint Louis, The Monkey, The Fortunate Sons, The Pigeon, In the Shadow of the Mountain, Down Range, and RIP.

For these projects, the Group will take a diversified project structuring approach, including Films suitable for streaming platforms will be redirected towards them, which allows for relatively quick cost recovery, name recognition, increased exposure, and visibility through the widespread coverage of streaming platforms. Additionally, we will explore various channels for financing, such as international sales, tax refunds, minimum guarantees in North America, and derivative applications in the metaverse (NFT/digital collectible releases, metaverse construction, blockchain games), converting a portion of the budget allocated for visual effects into investments. By retaining the copyright, we aim to establish a new ecosystem.

The Group will be able to generate revenue from these projects and IPs through the following ways: recouping development costs plus a profit; getting producers fees and backend, investment payback, online distribution, theatrical releases, IP licensing, merchandising, web3 and metaverse monetization.

Media and culture operating results

During the year ended 31 December 2023, the Group's revenue generated from media and culture business amounted to approximately HK\$80.3 million (2022: approximately HK\$60.2 million), with a gross profit of approximately HK\$15.1 million (2022: approximately HK\$4.0 million).

In recent years, the media business of the Group has been affected by the COVID-19 pandemic which has spread all over the world in the year of 2019 the strikes of the Writers Guild of America and Screen Actors Guild-AFTRA in 2023. Business activities slowed down and some of the film and TV drama projects being developed by the Group have been postponed. Delays in distribution, settlement as well as receipt of income of TV drama and film investments of the Company significantly and negatively affected the future cash flow projections regarding these investments, which in turn reduced the amount of revenue recognized during recent years.

FINANCIAL REVIEW

The Group reported a net loss attributable to owners of the Company of approximately HK\$45,720,000 for the year ended 31 December 2023 (2022: approximately HK\$135,867,000).

The Board considers that while the Group recorded an increase in gross profit and a reduction in net loss in the year of 2023 compared to the year of 2022, the slow-down of business activities and postponement of some of the film and TV drama projects being developed by the Group in recent years due to the impact of COVID-19 continued to affect the financial results of the Group during the year.

Basic loss per share for the year amounted to approximately 5.55 HK\$ cents (2022: approximately 16.5 HK\$ cents). Net deficit of the Group were approximately HK\$378,250,000 (2022: approximately HK\$330,537,000).

FUTURE PLANS AND PROSPECTS

Up to the date of this results announcement, the COVID-19 epidemic seems to be almost over and the related restrictions upon travelling and social activities are for most of the part lifted. It can be reasonably foreseen that the business activities of the media and culture business of the Group would resume to a normal level in the long term.

However, the strikes of the Writers Guild of America and Screen Actors Guild-AFTRA in 2023 has adversely affected the development, production and distribution of feature films and TV and streaming TV programming in the USA.

Furthermore, as it takes time for the entire business cycle of the Group to be get back on track, it is probable that these negative impacts may continue to be reflected in the financial results of Group in the coming year(s).

The Company plans to utilize its existing Hollywood intellectual property resources to develop metaverse businesses, advance its digital product platform construction, and establish subsidiaries in Hong Kong and Mainland China to expand cross border e-commerce operations.

On 8 May 2023, Star Media Digital Technology Group Limited (“**Star Media**”), an indirect wholly-owned subsidiary of the Company, entered into a reseller service agreement (the “**Reseller Service Agreement**”) with Alibaba Cloud (Singapore) Private Limited (“**Alibaba Cloud**”), being a global leader in cloud computing and artificial intelligence, pursuant to which Star Media as a partner, is entitled to distribute various products supplied by Alibaba Cloud, including but not limited to computing, container, storage, networking and content delivery network (CDN), security, middleware, and database.

The Directors are of the view that the entering of the Reseller Service Agreement enables the Group to commence distribution business of reliable and secure cloud computing and data processing. As such, the Directors believe that the Reseller Service Agreement could, on one hand, complement the business of the Group and, on the other hand, expand the client base of the Group. Accordingly, it will broaden the Group’s revenue base in the future and is expected to increase investment returns to the Shareholders.

On 4 January 2024, the Company entered into a strategic cooperation framework agreement (the “**Strategic Cooperation Framework Agreement**”) with Greenland Digital Technology Co., Ltd (“**Greenland Digital**”), being a global leader in providing strategic digital advices and apply digital technology to improve business operation, pursuant to which the Company as a partner, is entitled to improve the development on metaverse business, advance its digital product platform construction and expand crossborder e-commerce operations.

The Directors are of the view that the entering of the Strategic Cooperation Framework Agreement enables the Group and Greenland Digital to use the resources of both parties to operate and be more involved in digital platform in metaverse, digital product and virtual reality technology. As such, the Directors believe that the Strategic Cooperation Framework Agreement could, on one hand, complement the business of the Group and, on the other hand, expand the client base of the Group. Accordingly, it will broaden the Group’s revenue base in the future and is expected to increase investment returns to the Shareholders.

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

MATERIAL ACQUISITION AND DISPOSAL

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

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (31 December 2022: NIL).

CAPITAL STRUCTURE

As at 31 December 2023, the Company's net deficit was approximately HK\$378,250,000 (2022: approximately HK\$330,537,000).

LOSS ALLOWANCES OF TRADE RECEIVABLES

The Company had provided for loss allowances on trade receivables of approximately HK\$0.6 million for the year ended 31 December 2023. Details of the impairment analysis is set out in note 12 to this consolidated financial information.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cash flow, interest-bearing bank and other borrowings, advance from shareholder(s), issuance of promissory notes and/or convertible bonds.

The major shareholders of the Company have been able to provide financial resources (in form of loan advance, equity finance etc.) to support the Group's operations. For example, the Group obtained an advance of HK\$472,229,000 (equivalent to RMB415,000,000) ("**Advance**") from the then controlling shareholder (江陰星輝文化傳播有限公司) in the year of 2019. The Group has fully repaid the Advance and the then controlling shareholder also confirmed the full repayment of the Advance during the year of 2020. The Company believes that its shareholders will continue to provide financial support to the Group where necessary and in due course.

As at 31 December 2023, the Group's bank balances and cash amounted to approximately HK\$52,003,000 (2022: HK\$79,420,000).

As at 31 December 2023, current ratio was approximately 0.20 (2022: approximately 0.28) based on current assets of approximately HK\$172,900,000 (2022: HK\$255,264,000) and current liabilities of approximately HK\$854,335,000 (2022: HK\$897,134,000).

Further details regarding the liquidity of the Group are set out in "going concern assumption" of note 2 of the consolidated financial statements.

Referring to the sections of "Disclaimer of Opinion", "Basis for disclaimer of opinion" and "The Board's response to the Auditor's Opinion", the Company will continue to strive to improve its operating results and financial position and provide further information and communicate with the Company's auditors from time to time for their assessment of the going concern assumption for subsequent financial reporting periods.

While the management would strive to recover the trade receivables of gross carrying amount of HK\$111,500,000 as at 31 December 2023 to further improve its financial position, and procure the possible loan or equity finance where necessary and in due course, the Company will continue to allocate more resources to media and culture segment (e.g. film and TV series investment and production) which are the Group's major growth drivers.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

EMPLOYEES AND REMUNERATION POLICIES

The Group employed 13 (2022: 13) employees as at 31 December 2023. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Employees may also be invited to participate in the share option scheme of the Group.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group has entered into agreements with lenders of other borrowings of the Group, among others, to extend the repayment date of the other borrowings and to mitigate the liquidity issues of the Group. Further details are set out in “going concern assumption” of note 2 of the consolidated financial information.

On 13 December 2023 (after trading hours), the Company entered into a placing agreement (the “Placing Agreement”) with Roofer Securities Limited, a licensed corporation to carry on business in Type 1 (dealing in securities) and Type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “Placing Agent”), pursuant to which the Placing Agent has conditionally agreed, as agent of the Company, to procure on a best effort basis currently expected to be not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 162,000,000 placing shares at the placing price of HK\$0.165 per Placing Share (the “Placing”). All the conditions precedent under the Placing Agreement have been fulfilled and completion of the Placing took place on 8 January 2024. For details, please refer to the announcements of the Company dated 14 December 2023 and 8 January 2024.

On 4 January 2024, the Company entered into a strategic cooperation framework agreement with Greenland Digital Technology Co., Ltd. Pursuant to which the Company is entitled to improve the development on metaverse business, advance its digital product platform construction and expand crossborder e-commerce operations.

Other than disclosed elsewhere in this announcement, there is no major event after the reporting period that should be notified to the shareholders of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that the Company has complied with all applicable provisions of the Corporate Governance Code contained in Appendix C1 (the “Code”) of the Listing Rules throughout the year ended 31 December 2023.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix C3 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2023.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge, information and belief of the Directors as at the date of this announcement, the Directors confirm that the Company maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2023.

ANNUAL GENERAL MEETING

A notice convening the forthcoming annual general meeting of the Company will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules and the Bye-laws of the Company in due course.

INTERNAL CONTROL REVIEW

As disclosed in the Announcement dated 30 August 2023, Ace Sustainability & Risk Advisors Limited (the "IC Advisor") completed the IC Review and submitted an internal control review report to the Company. Material findings of IC review and remedial actions to be taken by the Group are set out in the announcement dated 30 August 2023. The Group has been implementing the internal control measures to enhance the Group's internal control system and provided relevant documents to the IC Advisor for a follow-up review. The follow-up review was completed in March 2024. For details, please refer to the announcements of the Company dated 28 March 2024.

AUDIT COMMITTEE

As required by Rule 3.21 of the Listing Rules, the Company has established an Audit Committee with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process, risk management and internal control systems. The Audit Committee has discussed with the external auditor of the Company, Baker Tilly Hong Kong Limited, on the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2023, and is of the opinion that the preparation of the consolidated results complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been compared by the Group's auditor, Baker Tilly Hong Kong Limited ("**Baker Tilly**"), to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Baker Tilly in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The followings are extracted from the independent auditors report on the consolidated financial statements of the Group for the year ended 31 December 2023.

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Starlight Culture Entertainment Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 4 to 86, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of matters described in the “Basis for Disclaimer of Opinion” section of our report, we have not been able to obtain sufficient appropriate audit evidence to support the use of going concern basis and therefore to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

As set out in note 2.1 to the consolidated financial statements, the Group incurred net loss of HK\$45,874,000 for the year ended 31 December 2023. As at 31 December 2023, the Group had net current liabilities and net deficit of HK\$681,435,000 and HK\$378,250,000 respectively. As at 31 December 2023, the Group defaulted on repayment of certain interest-bearing borrowings and film investment loans (including those classified as financial liabilities at fair value through profit or loss and derivative financial liabilities) with principal amounts of HK\$500,521,000, and have a further interest-bearing borrowings and film investment loans (including those classified as financial liabilities at fair value through profit or loss and derivative financial liabilities) with principal amounts of HK\$174,623,000, which were repayable within one year. These borrowings and film investment loans of HK\$675,144,000 in total exceed the Group’s cash and cash equivalents of HK\$52,003,000 as at 31 December 2023.

The directors of the Company (the “Directors”) have prepared a cashflow forecast covering fifteen months from the end of the reporting period for the Group’s going concern assessment (the “Cashflow Forecast”). The validity of the going concern assumption on which these consolidated financial statements have been prepared depends on the outcome of the measures to improve the Group’s liquidity and financial position, including whether (i) new sources of finance will be obtained to support the Group’s operating and financing cash outflows; (ii) re-financing or extensions will be obtained for the Group’s existing interest-bearing borrowings and film investment loans (including those classified as financial liabilities at fair value through profit or loss and derivative financial liabilities); (iii) the implementation of the Group’s business strategy could enhance profitability and cash inflows of the Group; and (iv) the implementation of the Group’s cost control strategies on its selling, distribution and administrative costs and film investment expenditures could reduce the cash outflows of the Group. However, we have not been provided with sufficient supporting information of the key assumptions and inputs adopted in the Cashflow Forecast, including documents or evidence relating to potential renewal and extension for repayments of the existing borrowings and loans, potential new sources of finance and its business strategy.

In view of the above, we were not able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down of the Group’s assets to their realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

The Board’s response to the Auditor’s Opinion

In regard to the matters described in the section headed “Basis for Disclaimer of Opinion” in the Independent Auditor’s Report, the Board would like to take this opportunity to provide the Board’s response and other relevant information, as well as measures taken or to be taken by management of the Company for information purpose.

The Board's response to the basis for disclaimer of opinion

The Directors have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2 to the consolidated financial statements.

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure, to improve the financial position of the Group, and to remediate the overdue repayments to the lenders:

- (a) The Group has been actively negotiating with all of the lenders for renewal and extension for repayments of the overdue borrowings to reduce the liquidity pressure of the Group.
- (b) The Group has also been negotiating with various financiers and potential investors of the film industry to secure new sources of finance and identifying various options for financing the Group's working capital and commitments in the foreseeable future. The Directors believe that, considering the Group's track record of film investments and relationship with famous film directors, the Group will be able to obtain new financing.
- (c) The Group will continue to implement business strategy to enhance the Group's profitability and cash inflows.
- (d) The Group will continue to take active measures to control costs and prioritise film investments expenditures so as to improve the Group's cashflows.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises six executive directors, namely Mr. Tang Liang, Mr. Jing Xufeng, Mr. Luo Lei, Mr. Sang Kangqiao, Ms. Wu Xiaoli and Mr. Hu Fanghui; and three independent non-executive directors, namely Mr. Wu Hongliang, Mr. Niu Zhongjie, and Mr. Xu Zhihao.