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STAR CM Holdings Limited

星空華文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6698)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

Our Board announces the unaudited consolidated results of our Company, its subsidiaries and consolidated affiliated entities (collectively referred to as our “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”) together with the comparative figures for the six months ended June 30, 2023. These interim results have been reviewed by our Board’s audit committee together with our management.

	For the six months ended		
	June 30,		
	2024	2023	Change
	(Unaudited)	(Unaudited)	
	<i>(RMB in millions, except percentages)</i>		
Revenue	71.1	144.1	(50.7%)
Gross profit	6.6	47.4	(86.1%)
Loss before tax	(55.3)	(19.9)	177.9%
Loss for the period	(56.0)	(17.2)	225.6%

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2024

	<i>Notes</i>	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Revenue	5	71,113	144,067
Cost of sales		<u>(64,521)</u>	<u>(96,717)</u>
Gross profit		<u>6,592</u>	<u>47,350</u>
Other income and gains		8,270	7,608
Selling and distribution expenses		(7,817)	(11,888)
Administrative expenses		(42,504)	(54,724)
Reversal of impairment losses/(impairment losses) on financial assets, net		4,206	(3,065)
Other expenses		(387)	(498)
Changes in fair value of financial assets at fair value through profit or loss		(5,594)	76
Finance costs		(221)	(1,452)
Share of losses of:			
Joint ventures		(14,873)	(1,143)
Associates		<u>(3,012)</u>	<u>(2,151)</u>
LOSS BEFORE TAX	6	(55,340)	(19,887)
Income tax (expense)/credit	7	<u>(635)</u>	<u>2,669</u>
LOSS FOR THE PERIOD		<u>(55,975)</u>	<u>(17,218)</u>
Attributable to:			
Owners of the parent		(56,796)	(15,078)
Non-controlling interests		<u>821</u>	<u>(2,140)</u>
		<u>(55,975)</u>	<u>(17,218)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	9	<u>(0.14)</u>	<u>(0.04)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
LOSS FOR THE PERIOD	<u>(55,975)</u>	<u>(17,218)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>2,576</u>	<u>29,327</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>2,576</u>	<u>29,327</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>2,576</u>	<u>29,327</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(53,399)</u>	<u>12,109</u>
Attributable to:		
Owners of the parent	<u>(54,220)</u>	<u>14,249</u>
Non-controlling interests	<u>821</u>	<u>(2,140)</u>
	<u>(53,399)</u>	<u>12,109</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2024

	<i>Notes</i>	June 30, 2024 (Unaudited) RMB'000	December 31, 2023 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		193,116	197,522
Other intangible assets		136,735	139,269
Right-of-use assets		101,116	104,675
Goodwill		303,069	301,343
Investments in joint ventures		346,078	360,951
Investments in associates		609,889	612,901
Financial assets at fair value through profit or loss		49,880	55,277
Restricted cash		71,121	69,535
Deferred tax assets		25,770	31,510
Prepayments, other receivables and other assets		19,131	19,131
		<u>1,855,905</u>	<u>1,892,114</u>
Total non-current assets		1,855,905	1,892,114
CURRENT ASSETS			
Inventories		21	21
Program copyrights		3,282	224
Trade receivables	10	175,653	220,792
Prepayments, other receivables and other assets		79,568	260,895
Due from related parties	14	524,499	487,957
Cash and cash equivalents		446,532	353,878
		<u>1,229,555</u>	<u>1,323,767</u>
Total current assets		1,229,555	1,323,767
CURRENT LIABILITIES			
Trade payables	11	138,572	177,366
Other payables and accruals		84,953	106,311
Tax payable		24,100	35,050
Lease liabilities		5,387	5,659
		<u>253,012</u>	<u>324,386</u>
Total current liabilities		253,012	324,386
NET CURRENT ASSETS		<u>976,543</u>	<u>999,381</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,832,448</u>	<u>2,891,495</u>

	June 30, 2024 (Unaudited) RMB'000	December 31, 2023 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Lease liabilities	3,790	6,315
Deferred tax liabilities	3,951	3,898
Other payables and accruals	7,923	11,099
	<u>15,664</u>	<u>21,312</u>
Total non-current liabilities	<u>15,664</u>	<u>21,312</u>
Net assets	<u>2,816,784</u>	<u>2,870,183</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	3	3
Reserves	2,825,972	2,880,192
	<u>2,825,975</u>	<u>2,880,195</u>
Non-controlling interests	<u>(9,191)</u>	<u>(10,012)</u>
Total equity	<u>2,816,784</u>	<u>2,870,183</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2024 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2023.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2023, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at January 1, 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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

	For the six months ended June 30,	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Chinese Mainland	54,674	120,766
Other regions	16,439	23,301
Total	<u>71,113</u>	<u>144,067</u>

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

(b) Non-current assets

	June 30, 2024 (Unaudited) RMB'000	December 31, 2023 (Audited) RMB'000
	Chinese Mainland	1,279,242
Other regions	429,892	431,474
Total	<u>1,709,134</u>	<u>1,735,792</u>

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

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Revenue from contracts with customers	<u>71,113</u>	<u>144,067</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended June 30,	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Types of goods or services		
Variety program IP production, operation and licensing	25,453	75,387
Music IP operation and licensing	7,566	19,238
Drama series and film IP operation and licensing	16,393	23,301
Other IP-related business	21,701	26,141
	<hr/>	<hr/>
Total revenue from contracts with customers	71,113	144,067
	<hr/> <hr/>	<hr/> <hr/>
Geographical markets		
Chinese Mainland	54,674	120,766
Other regions	16,439	23,301
	<hr/>	<hr/>
Total revenue from contracts with customers	71,113	144,067
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
Transferred at a point in time	41,805	27,489
Transferred over time	29,308	116,578
	<hr/>	<hr/>
Total revenue from contracts with customers	71,113	144,067
	<hr/> <hr/>	<hr/> <hr/>

6. LOSS BEFORE TAX

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

	For the six months ended June 30,	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Cost of variety program IP production, operation, and licensing	35,934	59,321
Cost of music IP operation and licensing	3,707	16,701
Cost of drama series and film IP operation and licensing	6,211	6,194
Cost of other IP-related business	18,669	14,501
Reversal of impairment losses on trade receivables, net (Reversal of impairment losses)/impairment losses on financial assets included in prepayments, other receivables other assets	(3,572)	(798)
	(634)	3,863

7. 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% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Pursuant to the relevant tax law of the Macau Special Administrative Region, Macau profits tax has been provided at the rate of 12% (2023: 12%) on the estimated assessable profits arising in Macau during the period.

The provision for current income tax in Chinese Mainland is based on a statutory tax rate of 25% (2023: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

Shanghai CanXing Culture & Media Co., Ltd. is qualified as High and New Technology Enterprises and were entitled to a preferential income tax rate of 15% (2023: 15%) during the period, which will expire on December 12, 2026.

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

	For the six months ended June 30,	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Current – Charge for the period	611	3,950
Deferred tax	24	(6,619)
Total tax charge/(credit) for the period	635	(2,669)

8. DIVIDENDS

The Board did not declare any interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the period ended June 30, 2024 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 398,538,168 (six months ended on June 30, 2023: 398,495,465) in issue for the period ended June 30, 2024. The Group had no potentially dilutive ordinary shares in issue during the period ended June 30, 2024 and 2023.

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

	For the six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	(56,796)	(15,078)
	Number of Shares	
	For the six months ended June 30,	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the period	398,538,168	398,495,465

10. TRADE RECEIVABLES

	As at	
	June 30,	December 31,
	2024	2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Trade receivables	452,933	524,573
Less: Impairment of trade receivables	(277,280)	(303,781)
Total	175,653	220,792

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

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

	As at	
	June 30, 2024 (Unaudited) RMB'000	December 31, 2023 (Audited) RMB'000
Within 3 months	14,549	95,533
3 to 6 months	28,608	20,073
6 to 12 months	59,071	16,380
1 to 2 years	54,944	52,794
2 to 3 years	6,044	31,184
Over 3 years	12,437	4,828
Total	175,653	220,792

Included in the Group's trade receivables were amounts due from the Group's related parties of nil (December 31, 2023: RMB474,000), which were repayable on credit terms similar to those offered to the major customers of the Group.

11. 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:

	As at	
	June 30, 2024 (Unaudited) RMB'000	December 31, 2023 (Audited) RMB'000
Within 1 year	90,142	115,876
1 to 2 years	20,897	39,062
2 to 3 years	11,669	11,054
Over 3 years	15,864	11,374
Total	138,572	177,366

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 RMB3,103,000 as at June 30, 2024 (December 31, 2023: RMB11,499,000) 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 RMB3,098,000 as at June 30, 2024 (December 31, 2023: RMB4,267,000), details of which are disclosed in note 12 to the financial statements.

12. CONTINGENT LIABILITIES

During the period, 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 period ended June 30, 2024 (unaudited)

	Carrying amount at January 1, <i>RMB'000</i>	Addition <i>RMB'000</i>	Change in estimates <i>RMB'000</i>	Payments <i>RMB'000</i>	Carrying amount at June 30, <i>RMB'000</i>
MBC-Guess the Singer! 2016	11,900	–	–	–	11,900
Entity A	1,435	–	–	–	1,435
Entity B	1,663	–	–	–	1,663
Others	1,169	–	–	(1,169)	–
Total	<u>16,167</u>	<u>–</u>	<u>–</u>	<u>(1,169)</u>	<u>14,998</u>

For the year ended December 31, 2023 (audited)

	Carrying amount at January 1, <i>RMB'000</i>	Addition <i>RMB'000</i>	Change in estimates <i>RMB'000</i>	Payments <i>RMB'000</i>	Carrying amount at December 31, <i>RMB'000</i>
MBC-Guess the Singer! 2016	11,900	–	–	–	11,900
Entity A	–	1,435	–	–	1,435
Entity B	–	1,663	–	–	1,663
Others	440	1,029	–	(300)	1,169
Total	<u>12,340</u>	<u>4,127</u>	<u>–</u>	<u>(300)</u>	<u>16,167</u>

13. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at	
	June 30, 2024 (Unaudited) <i>RMB'000</i>	December 31, 2023 (Audited) <i>RMB'000</i>
Contracted, but not provided for:		
Leasehold land and construction in progress	<u>762,149</u>	<u>767,286</u>

14. 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 controlled by the Controlling Shareholders
Mengxiang Qi'an Culture Development (Shanghai) Co., Ltd. ("Mengxiang Qi'an")	A joint venture
Shanghai Xingkong Shui'an enterprise development Ltd. ("Xingkong Shui'an")	An entity controlled by an associate
Shanghai Binqiao Enterprise management Co., Ltd. ("Shanghai Binqiao")	An associate
CMC News Asia Holdings Ltd. ("CMC News")	An entity controlled by the Controlling Shareholders

Outstanding balances with related parties:

	Notes	As at	
		June 30, 2024 (Unaudited) RMB'000	December 31, 2023 (Audited) RMB'000
Due from related parties (non-trade):			
Mengxiang Qi'an	(i)	241,560	222,230
Shanghai Binqiao	(iii)	265,630	265,227
Xingkong Shui'an	(iv)	500	500
CMC News	(v)	16,809	–
Total		<u>524,499</u>	<u>487,957</u>
Trade receivables (trade):			
SCML		<u>–</u>	<u>474</u>
Other receivables (trade):			
Mengxiang Qi'an		<u>1,386</u>	<u>1,386</u>
Trade payables (trade):			
SCML	(ii)	320	8,716
Mengxiang Qi'an	(ii)	2,783	2,783
Total		<u>3,103</u>	<u>11,499</u>

Notes:

- (i) The amounts due from Mengxiang Qi'an were unsecured and repayable on demand with interest rates ranging from 0.0% to 8.0%.
- (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 RMB13,444,000 bear interest at the rate of 6% per annum.
- (iv) The amounts were unsecured, interest-free and repayable on demand.
- (v) The loans to CMC News of RMB16,809,000 were unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECTS

All along, the variety programs produced by our Group have earned the trust of some major broadcasting platforms and popularity among audience for their high-quality production contents.

In the first half of 2024, we completed the broadcast of a variety program, namely, “Asia Super Young 2023” (亞洲超星團). Our Group has been actively exploring strategic cooperation opportunities with other broadcasting platforms. In addition to some small-scale projects, commercial performances and music concerts, we will participate in the directing and post-production services of several variety shows on platforms such as “Light Up@edc CHINA” (閃亮星電音) on Youku platform, and “Sing Tourism” (鮮活唱游團) on Tencent platform in the second half of 2024.

Business Analysis by Business Segment

(i) Variety Program IP Production, Operation and Licensing

For the six months ended June 30, 2024, our Group completed the broadcast of a variety program, namely, “Asia Super Young 2023”.

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

(ii) Music IP Operation and Licensing

As of June 30, 2024, our Group had a music library of 9,559 IPs, consisting of 3,765 live music recordings we produced during the creation of our music variety programs, 3,602 songs we produced for our managed artists, and 2,192 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 June 30, 2024, our Group owned and operated 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 June 30, 2024, we had a total number of 86 managed artists.

PROSPECTS AND FUTURE DEVELOPMENT

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

- Further strengthen our IP creation and operation capabilities: We will continue to operate our music IP library and film IP library. We will further enhance our capabilities of content production in the field of variety programs, music, film and drama series, and diversify the genres and topics of our IPs.
- Further expand our audience outreach and brand influence to enhance our monetization capabilities: We will continue to set up distribution channels to reach wider audience. We will increase the number of partner TV networks, online video platforms and music service providers and diversify our distribution channels and offer onsite experience through IP-centered experience halls, electronic music centers and street dance centers. Leveraging the growth of the global entertainment industry, we will strengthen our efforts to recruit content production professionals in the overseas entertainment market and attract talented artists globally in order to further enhance our influence and value of our entertainment IPs in the global market.
- Further expand our business through mergers and acquisitions: We will keep a close watch on and continuously evaluate high-quality merger and acquisition targets that are complementary to our business and in line with our strategies. We aim to effectively integrate premium industry resources in the upstream and downstream of the entertainment value chain, further accelerating the expansion of our Group.
- Continue to attract talents and build our team: We provide excellent training and highly competitive compensation and incentive plan for our employees. We plan to attract top talents in the fields of IP production, operation and management via continuous improvement in our talent acquisition and retention system.

We are of the view that the general outlook of China's entertainment IP industry and the business environment in which our Group operates will remain promising in the future. Our Group remains confident that with our visionary in the entertainment industry and our experienced management team, we will continue to rise to prominence and deliver contents that are well enjoyed by our audience in the field of variety programs.

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

FINANCIAL REVIEW

Overview

During the six months ended June 30, 2024, we recorded a revenue of RMB71.1 million and a gross profit of RMB6.6 million. Our net loss amounted to RMB56.0 million for the six months ended June 30, 2024, as compared with a net loss of RMB17.2 million for the same period last year. The increase in net loss was mainly due to a decrease in revenue for the Reporting Period driven by a reduction in the number of variety programs compared with the corresponding period of the previous year.

Revenue by Business Segment

During the six months ended June 30, 2024 and 2023, 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 for the six months ended June 30, 2024 and 2023, accounting for approximately 35.9% and 52.3%, respectively. The table below sets forth a breakdown of our revenues by business segments for the six months ended June 30, 2024 and 2023:

	For the six months ended	
	June 30,	
	2024	2023
	<i>(RMB in millions)</i>	
Variety program IP production, operation and licensing	25.5	75.4
Music IP operation and licensing	7.6	19.2
Film and drama series IP operation and licensing	16.4	23.3
Other IP-related business	21.6	26.2
	<hr/>	<hr/>
Total	71.1	144.1
	<hr/> <hr/>	<hr/> <hr/>

(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 six months ended June 30, 2024 and 2023:

	For the six months ended	
	June 30,	
	2024	2023
	<i>(RMB in millions)</i>	
Advertising sales	20.7	9.2
Commissioned programs	4.8	49.7
Licensing of broadcasting rights	–	–
Licensing of offline entertainment events	–	16.5
	<hr/>	<hr/>
Total	25.5	75.4
	<hr/> <hr/>	<hr/> <hr/>

Our Group's revenue generated from variety program IP production, operation and licensing decreased by 66.2% from RMB75.4 million for the six months ended June 30, 2023 to RMB25.5 million for the six months ended June 30, 2024, primarily due to a reduction in the number of variety programs as compared with the corresponding period of last year.

(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 60.4% from RMB19.2 million for the six months ended June 30, 2023 to RMB7.6 million for the six months ended June 30, 2024, primarily due to a one-off income owing to the re-licensing of our old music library in the same period last year.

(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 29.6% from approximately RMB23.3 million for the six months ended June 30, 2023 to approximately RMB16.4 million for the six months ended June 30, 2024, primarily due to a decrease in revenue generated from our overseas markets through film IP licensing business as compared with the corresponding period in 2023.

(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 decreased by 17.6% from approximately RMB26.2 million for the six months ended June 30, 2023 to approximately RMB21.6 million for the six months ended June 30, 2024, which is primarily due to a mild decrease in the number of commercial performances by our managed artists compared with the same period last year.

Cost of Sales

The following table sets forth our cost of sales by business segment for the six months ended June 30, 2024 and 2023:

	For the six months ended	
	June 30,	
	2024	2023
	<i>(RMB in millions)</i>	
Variety program IP production, operation and licensing	35.9	59.3
Music IP operation and licensing	3.7	16.7
Film and drama series IP operation and licensing	6.2	6.2
Other IP-related business	18.7	14.5
Total	<u>64.5</u>	<u>96.7</u>

(i) Variety Program IP Production, Operation and Licensing

Cost of sales associated with variety program IP production, operation and licensing decreased by 39.5% from RMB59.3 million for the six months ended June 30, 2023 to RMB35.9 million for the six months ended June 30, 2024, which is in line with the decrease in revenue driven by a reduction in the number of variety programs compared to the same period last year.

(ii) Music IP Operation and Licensing

Cost of sales associated with music IP operation and licensing decreased by 77.8% from RMB16.7 million for the six months ended June 30, 2023 to RMB3.7 million for the six months ended June 30, 2024, primarily due to the higher costs incurred in connection with the re-licensing of the old songs of our Group's music library for the six months ended June 30, 2023.

(iii) Film and Drama Series IP Operation and Licensing

Cost of sales associated with film and drama series IP operation and licensing remained relatively stable at approximately RMB6.2 million for both the six months ended June 30, 2023 and 2024.

(iv) Other IP-related Business

Cost of sales associated with other IP-related business increased by 29.0% from RMB14.5 million for the six months ended June 30, 2023 to RMB18.7 million for the six months ended June 30, 2024, primarily due to the increase in costs incurred in connection with the commercial performances by our artists.

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

The following table sets forth our gross (loss)/profit and gross (loss)/profit margin by each business segment for the six months ended June 30, 2024 and 2023:

	For the six months ended June 30,			
	2024	2023		
	Gross (Loss)/ Profit	Gross (Loss)/ Profit Margin	Gross Profit	Gross Profit Margin
	<i>(RMB in millions except in percentage)</i>			
Variety program IP production, operation and licensing	(10.4)	(40.8%)	16.1	21.4%
Music IP operation and licensing	3.9	51.3%	2.5	13.0%
Film and drama series IP operation and licensing	10.2	62.2%	17.1	73.4%
Other IP-related business	2.9	13.4%	11.7	44.7%
Total	6.6	9.3%	47.4	32.9%

As a result of the foregoing, our gross profit decreased by 86.1% from RMB47.4 million for the six months ended June 30, 2023 to RMB6.6 million for the six months ended June 30, 2024.

(i) Variety Program IP Production, Operation and Licensing

Our Group recorded a gross loss for variety program IP production, operation and licensing of RMB10.4 million for the six months ended June 30, 2024, as compared to gross profit of RMB16.1 million for the six months ended June 30, 2023. The turnaround from gross profit to gross loss was primarily due to a reduction in the number of variety programs, while the Company still incurred production team costs which were relatively fixed. Accordingly, our Group recorded a gross loss margin of 40.8% for this segment for the six months ended June 30, 2024, as compared to a gross profit margin of 21.4% for the same period last year.

(ii) Music IP Operation and Licensing

Our gross profit for music IP operation and licensing increased by 56.0% from RMB2.5 million for the six months ended June 30, 2023 to RMB3.9 million for the same period this year. Our gross profit margin also increased from 13.0% for the six months ended June 30, 2023 to 51.3% for the six months ended June 30, 2024, primarily due to the higher costs allocated in connection with the re-licensing of the old songs of our Group's music library with lower profitability for the six months ended June 30, 2023.

(iii) Film and Drama Series IP Operation and Licensing

Our gross profit for film and drama series IP operation and licensing decreased by 40.4% from RMB17.1 million for the six months ended June 30, 2023 to RMB10.2 million for the same period this year. Our gross profit margin decreased to 62.2% for the six months ended June 30, 2024 from 73.4% for the six months ended June 30, 2023. The decrease in both our gross profit and gross profit margin for this segment is in line with the decrease in revenue for the Reporting Period.

(iv) Other IP-related Business

Our gross profit for other IP-related business decreased by 75.2% from RMB11.7 million for the six months ended June 30, 2023 to RMB2.9 million for the same period this year. Our gross profit margin decreased from 44.7% for the six months ended June 30, 2023 to 13.4% for the same period this year. The decrease was primarily due to the increase in costs incurred in connection with the commercial performances by our artists.

Other Income and Gains

Our other income and gains remained relatively stable at RMB7.6 million and RMB8.3 million for the six months ended June 30, 2023 and June 30, 2024, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 34.5% from RMB11.9 million for the six months ended June 30, 2023 to RMB7.8 million for the six months ended June 30, 2024, primarily due to a reduction in the number of our sales staff.

Administrative Expenses

Our administrative expenses decreased by 22.3% from RMB54.7 million for the six months ended June 30, 2023 to RMB42.5 million for the same period this year, primarily due to a decrease in research and development expenses.

Reversal of Impairments Losses/(Impairment Losses) on Financial Assets, net

We recorded net reversal of impairment losses on financial assets of RMB4.2 million for the six months ended June 30, 2024 (net impairment losses on financial assets for the six months ended June 30, 2023: RMB3.1 million). The change was primarily due to the recovery of certain trade receivables.

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

We recorded a loss in changes in fair value of financial assets at fair value through profit or loss of RMB5.6 million for the six months ended June 30, 2024 while recording a gain in changes in fair value of financial assets at fair value through profit or loss of RMB0.1 million for the same period last year due to the fluctuations in the stock prices of listed companies in which we invested.

Other Expenses

Our other expenses were relatively stable at RMB0.5 million and RMB0.4 million for the six months ended June 30, 2023 and 2024, respectively.

Finance Costs

Our finance costs were relatively stable at RMB1.5 million and RMB0.2 million for the six months ended June 30, 2023 and 2024, respectively.

Share of Profits and Losses of Joint Ventures and Associates

Our share of losses of joint ventures increased to RMB14.9 million for the six months ended June 30, 2024 from RMB1.1 million for the same period last year, primarily because of an increase in loss in connection with the investment in Mengxiang Qi'an following the completion of a construction in progress of Mengxiang Qi'an which started to recognize depreciation in 2023. Our share of losses from associates for the six months ended June 30, 2024 increased slightly to RMB3.0 million from RMB2.2 million for the same period last year.

Income Tax (Expenses)/Credit

We recorded income tax expenses of RMB0.6 million for the six months ended June 30, 2024 as compared with income tax credit of RMB2.7 million for the same period last year, primarily due to the derecognition of deferred tax assets arising from losses incurred during the Reporting Period.

Loss for the Period

As a result of the above, we recorded a net loss of RMB56.0 million for the six months ended June 30, 2024 as compared with a net loss of RMB17.2 million for the same period last year, primarily due to a decrease in revenue for the Reporting Period driven by a reduction in the number of variety programs compared with the same period last year.

FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment remained stable at RMB197.5 million as of December 31, 2023 and RMB193.1 million as of June 30, 2024, respectively.

Goodwill

Our goodwill remained stable at RMB301.3 million as of December 31, 2023 and RMB303.1 million as of June 30, 2024, respectively.

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

	As at	
	June 30, 2024	December 31, 2023
	<i>(RMB in millions)</i>	
Unit of Mengxiang Qiangyin Culture Broadcast (Shanghai) Company Ltd.	24.0	24.0
Unit of Fortune Star Media Limited	279.1	277.3
	303.1	301.3

Significant Investments

Our investments in associates remained stable at RMB612.9 million and RMB609.9 million as of December 31, 2023 and June 30, 2024, respectively. Our investments in joint ventures remained stable at RMB361.0 million and RMB346.1 million as of December 31, 2023 and June 30, 2024, respectively. Save as disclosed in this announcement, we did not make or hold any significant investments (including any investment in an investee company with a value of 5.0 percent or more of our Company's total assets) during the Reporting Period.

Amounts Due from Related Parties

Amounts due from related parties increased by RMB36.5 million or 7.5% to RMB524.5 million as of June 30, 2024 from RMB488.0 million as of December 31, 2023. For details, please refer to note 14 above.

Other Intangible Assets

Our other intangible assets remained stable at RMB139.3 million as of December 31, 2023 and RMB136.7 million as of June 30, 2024, respectively.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss amounted to RMB49.9 million as of June 30, 2024, representing a reduction of RMB5.4 million or 9.8% from RMB55.3 million as of December 31, 2023, primarily due to the fluctuations in the stock prices of listed companies in which we invested.

Restricted Cash

Our restricted cash remained relatively stable at RMB69.5 million and RMB71.1 million for the year ended December 31, 2023 and for the six months ended June 30, 2024, respectively.

Program Copyrights

Our program copyrights amounted to RMB3.3 million and RMB0.2 million as of June 30, 2024 and December 31, 2023, respectively.

Trade Receivables

Our trade and notes receivables amounted to RMB175.7 million as of June 30, 2024, representing a decrease of RMB45.1 million or 20.4% from RMB220.8 million as of December 31, 2023, which was primarily due to the collection of trade receivables arising from our variety programs produced in 2023.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets amounted to RMB98.7 million as of June 30, 2024, representing a decrease of RMB181.3 million or 64.8% from RMB280.0 million as of December 31, 2023, primarily due to the redemption of short-term notes upon their maturity.

Trade Payables

Our trade payables amounted to RMB138.6 million as of June 30, 2024, representing a decrease of RMB38.8 million or 21.9% from RMB177.4 million as of December 31, 2023, primarily due to the settlement of trade payables incurred in relation to our variety programs produced and initially broadcasted in 2023.

Other Payables and Accruals

Our other payables and accruals amounted to RMB92.9 million as of June 30, 2024, representing a decrease of RMB24.5 million or 20.9% from RMB117.4 million as of December 31, 2023, primarily due to settlement of certain other payables.

Lease Liabilities

Our lease liabilities amounted to RMB9.2 million as of June 30, 2024, representing a decrease of RMB2.8 million or 23.3% from RMB12.0 million as of December 31, 2023, primarily due to the lease payments made over time while there was no lease renewal during the first half of 2024.

Liquidity and Capital Resources

As of June 30, 2024, 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 RMB446.5 million and RMB353.9 million as of June 30, 2024 and December 31, 2023, 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 periods indicated, respectively:

	For the six months ended June 30, 2024	For the year ended December 31, 2023
	<i>(RMB in millions)</i>	
Loss before tax	<u>(55.3)</u>	<u>(1,601.4)</u>
Adjustments	27.5	1,557.9
Change in working capital	(1.5)	113.3
Income tax paid	(5.6)	(9.1)
Interest received	<u>6.6</u>	<u>6.9</u>
Net cash flows (used in)/generated from operating activities	(28.3)	67.6
Net cash flows generated from/(used in) investing activities	119.4	(304.9)
Net cash flows (used in)/generated from financing activities	<u>(3.1)</u>	<u>1.7</u>
Net increase/(decrease) in cash and cash equivalents	88.0	(235.6)
Cash and cash equivalents at the beginning of the period	353.9	587.6
Effect of foreign exchange rate changes, net	<u>4.6</u>	<u>1.9</u>
Cash and cash equivalents at the end of the period/year	<u>446.5</u>	<u>353.9</u>

Gearing Ratio

As of June 30, 2024, our gearing ratio was 0.3% (December 31, 2023: 0.4%).

Material Acquisitions and Disposals

Save as disclosed in this announcement, we did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended June 30, 2024.

Pledge of Assets

As of June 30, 2024, pledged time deposit amounting to RMB71.1 million was pledged for the purchase of leasehold land and litigation.

Contingent Liabilities

As of June 30, 2024, except for the lawsuits set out in note 12 to the financial statements as stated above, our Group had no other significant contingent liabilities.

Foreign Exchange Exposure

Our Group's businesses are principally conducted in RMB. We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As of June 30, 2024, major non-RMB assets are cash and cash equivalents which denominated in HK\$ or US\$. Fluctuation of the exchange rate of RMB against HK\$ or US\$ could affect our Group's results of operations. Our Group does not intend to hedge its exposure to foreign exchange fluctuations. We will constantly monitor the economic situation and our Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2024, our Group had 200 employees. Total staff remuneration expenses including Directors' remuneration in the first half of 2024 amounted to RMB31.5 million. Remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policies of our Group are determined based on prevailing market levels and performance of the respective Group companies and individual employees. These policies are reviewed on a regular basis. Our Group strongly believes that our staff is an invaluable asset to our Group and is significant to our Group's business. Therefore, our Group recognizes the importance of maintaining a good relationship with employees. In addition to salary, our Group also offers to its employees other fringe benefits, including year-end bonus, discretionary bonus, allowances and benefits in kind and pension scheme contributions.

MATERIAL LITIGATIONS

Our Group was involved in a number of pending/ongoing/concluded litigations during the six months ended June 30, 2024 and up to the date of this announcement.

(i) The ongoing concluded 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. (蜂鳥音樂有限公司) (“**Hummingbird**”), brought a lawsuit against us at the Primary People’s Court of Changning District of Shanghai, claiming performance service fee of RMB16.3 million and attorney’s fee of RMB200,000. In June 2023, the court rendered a judgment in our favor, absolving us of any obligation to provide compensation. On July 6, 2023, Hummingbird filed a petition to the Shanghai High People’s Court for appeal against this judgment.

(ii) The ongoing 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 the 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 judgment in November 2022 and awarded MBC an aggregate amount of RMB11.9 million, less than one-tenth of the amount claimed by MBC. Both parties filed petitions for appeal against the first instance judgment of which the hearing commenced on June 16, 2023. As of the date of this announcement, the court is yet to render judgment on this case.

(iii) The ongoing litigation with Mr. Xiong Yuanteng (熊遠騰) and Mr. Xie Hongbo (謝洪波)

Mengxiang Qiangyin Culture Broadcast (Shanghai) Company Ltd. (夢響強音文化傳播(上海)有限公司) (“**MXQY**”) is a limited liability company established in the PRC and one of our wholly owned subsidiaries. Mengxiang Dangran Music Culture & Communication (Shanghai) Co., Ltd. (夢響當然音樂文化傳播(上海)有限公司) (“**MXDR**”) is a limited liability company established in the PRC, with 51% of its registered share capital currently held by MXQY and 14.05% collectively held by Mr. Xiong Yuanteng (熊遠騰) and Mr. Xie Hongbo (謝洪波).

In July 2024, Mr. Xiong Yuanteng and Mr. Xie Hongbo brought a lawsuit against MXQY to the Fengxian District People's Court of Shanghai Municipality (上海市奉賢區人民法院) over damage to the interest of MXDR, requesting that MXQY be ordered to return and pay to MXDR an aggregate amount of approximately RMB15.66 million. MXDR has been listed as a third party to this case. The trial of this case is set to take place on August 20, 2024.

Saved as disclosed in this paragraph, the Directors are not aware of any material litigations or claims that are pending or threatened against our Group during the Reporting Period and up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

Save as already disclosed, as of the date of this announcement, there were no significant events that might affect our Group since the six months ended June 30, 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Compliance with the Code on Corporate Governance Practices

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

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

Save as disclosed above, our Company has complied with the code provisions set out in the Corporate Governance Code during the six months ended June 30, 2024. Our Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code and maintain a high standard of corporate governance practices of our Company.

Compliance with the Model Code for Securities Transactions by Directors

Our Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules as the code of conduct regarding our Directors' dealings in the securities of our Company. Having made specific enquiries with our Directors, our Directors have confirmed that they have strictly complied with the required standards set out in the Model Code for the six months ended June 30, 2024.

Audit Committee

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

Our audit committee has reviewed our unaudited condensed consolidated financial information in this announcement for the six months ended June 30, 2024, and has discussed with the senior management of our Company, on matters with respect to the accounting policies, financial reporting matters and practices adopted by our Company and internal control. There is no disagreement between the Board and the audit committee regarding the accounting treatment adopted by our Company.

Other Board Committees

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

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

During the six months ended June 30, 2024, neither our Company nor any of our subsidiaries has purchased, sold or redeemed any of our Company's securities listed on the Stock Exchange.

Use of Proceeds from the Global Offering

Our Company completed the Global Offering on December 29, 2022. The net proceeds from the Global Offering (including the partial exercise of the over-allotment option) amounted to approximately HK\$328.3 million (equivalent to approximately RMB293.0 million), after deducting the underwriting commissions, fees and expenses payable by us in connection with the Listing which will be used in a manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" as set out in our Prospectus. As of June 30, 2024, we had approximately HK\$75.4 million (equivalent to approximately RMB67.5 million) remaining in net proceeds.

INTERIM DIVIDEND

Our Board does not recommend the payment of an interim dividend for the six months ended June 30, 2024.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.starcmgroup.com. The interim report for the six months ended June 30, 2024 will be published on the aforesaid websites of the Stock Exchange and our Company and will be despatched to our Shareholders (where applicable) in due course.

DEFINITIONS

“Board”	the board of directors of our Company
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, China
“Company”	STAR CM Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands on March 29, 2021
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of our Company
“Global Offering”	has the meaning ascribed to it in the Prospectus
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Listing”	the listing of Shares of our Company on the Main Board of the Stock Exchange on December 29, 2022
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Mengxiang Qi’an”	Mengxiang Qi’an Culture Development (Shanghai) Co., Ltd. (夢響啟岸文化發展(上海)有限公司)

“Prospectus”	our Company’s prospectus dated December 15, 2022, a copy of which is available on the Stock Exchange’s website at www.hkexnews.hk
“RMB”	Renminbi yuan, the lawful currency of the People’s Republic of China
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.000001 each
“Shareholder(s)”	holder(s) of our Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$” or “US dollar(s)”	United States dollar, the lawful currency for the time being of the United States
“Youku”	Youku (優酷), a leading online video platform based in Beijing

By Order of the Board
STAR CM Holdings Limited
Mr. Tian Ming
Chairman of the Board and Chief Executive Officer

Hong Kong, August 19, 2024

As at the date of this announcement, the Board comprises (i) Mr. Tian Ming, Mr. Jin Lei, Mr. Xu Xiangdong, Mr. Lu Wei, Ms. Wang Yan and Ms. Shen Ning as executive Directors, and (ii) Mr. Li Liangrong, Mr. Chen Rehao and Mr. Sheng Wenhao as independent non-executive Directors.