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**STARLIGHT CULTURE  
ENTERTAINMENT**

**STARLIGHT CULTURE ENTERTAINMENT GROUP LIMITED**

**星光文化娛樂集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1159)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of Starlight Culture Entertainment Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018 as follows:

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR  
LOSS**

For the six months ended 30 June 2019

		<b>For the six months ended 30 June</b>	
		<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
REVENUE	5	<b>62,724</b>	16,718
Cost of sales		<b>(25,859)</b>	(15,925)

		<b>For the six months ended 30 June</b>	
		<b>2019</b>	2018
Notes		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
		<b>36,865</b>	793
		<b>12,544</b>	16,285
		<b>(1,796)</b>	(9,360)
		<b>(22,104)</b>	(29,633)
		<b>73</b>	3,184
		–	(418)
		<b>10,356</b>	–
		<b>(547)</b>	–
		–	(297)
		–	(1,449)
		–	35,729
		<b>(683)</b>	(14)
		<b>(29,563)</b>	(45,249)
		<b>5,145</b>	(30,429)
	6	<b>(890)</b>	–
		<b>4,255</b>	(30,429)
Attributable to:			
		<b>4,569</b>	(28,720)
		<b>(314)</b>	(1,709)
		<b>4,255</b>	(30,429)
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT		9	
Basic and diluted			
– For profit/(loss) for the period		<b>HKcent0.67</b>	HKcents(4.26)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u><b>4,255</b></u>	<u>(30,429)</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>616</u>	<u>327</u>
 OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u><b>616</b></u>	<u>327</u>
 TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><b>4,871</b></u>	<u>(30,102)</u>
 Attributable to:		
Owners of the parent	<u>5,183</u>	(28,411)
Non-controlling interests	<u>(312)</u>	<u>(1,691)</u>
	<u><b>4,871</b></u>	<u>(30,102)</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

		<b>30 June</b>	31 December
		<b>2019</b>	2018
	Notes	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>10,173</b>	10,322
Club debenture		<b>320</b>	320
Right-of-use assets		<b>6,776</b>	–
Total non-current assets		<b>17,269</b>	10,642
<b>CURRENT ASSETS</b>			
Trade receivables	10	<b>697</b>	698
Contract assets		<b>47,579</b>	54,850
Prepayments, other receivables and other assets		<b>395,759</b>	248,181
Film and TV series investments and products		<b>486,740</b>	105,175
Cash and cash equivalents		<b>131,625</b>	26,907
Total current assets		<b>1,062,400</b>	435,811
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>3,216</b>	3,219
Other payables and accruals		<b>118,929</b>	26,077
Lease liabilities		<b>2,250</b>	–
Contract liabilities		<b>25,708</b>	1,290
Amounts due to non-controlling shareholders of subsidiaries		<b>20,900</b>	20,900
Amounts due to a shareholder		<b>472,229</b>	–
Interest-bearing borrowings		<b>57,554</b>	158,687
Promissory notes		<b>37,000</b>	17,000
Convertible bonds		–	266,821
Tax payable		<b>1,711</b>	826
Total current liabilities		<b>739,497</b>	494,820

	<b>30 June</b>	31 December
	<b>2019</b>	2018
Notes	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
NET CURRENT ASSETS/(LIABILITIES)	<u>322,903</u>	<u>(59,009)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>340,172</u>	<u>(48,367)</u>
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	313,038	113,433
Lease liabilities	4,663	–
Other payables	<u>404</u>	<u>1,552</u>
Total non-current liabilities	<u>318,105</u>	<u>114,985</u>
Net assets/(liabilities)	<u><u>22,067</u></u>	<u><u>(163,352)</u></u>
EQUITY/(DEFICIENCY IN ASSETS)		
<b>Equity attributable to owners of the parent</b>		
Share capital	74,556	67,356
Reserves	<u>(6,115)</u>	<u>(184,646)</u>
	<u>68,441</u>	<u>(117,290)</u>
Non-controlling interests	<u>(46,374)</u>	<u>(46,062)</u>
Total equity/(deficiency in assets)	<u><u>22,067</u></u>	<u><u>(163,352)</u></u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

## 1. CORPORATE INFORMATION

Starlight Culture Entertainment Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company is Room 1203, 12/F., 118 Connaught Road West, Hong Kong.

During the period, the Company and its subsidiaries (the “Group”) were involved in the following principally activities:

- media and culture business;
- trading of chemical products, energy conservation and environmental protection products; and
- entertainment and gaming business.

As of 30 June 2019, in the opinion of the directors of the Company (the “Directors”), the Company’s single largest shareholder was CICFH Innovation Investment Limited (“Innovation”), and the ultimate holding company of Innovation was 國投中聯投資管理(北京)有限公司 (“Guotou”). Guotou was established in the People’s Republic of China.

On 12 July 2019, Guotou, which owned approximately 51.05% equity interest in the immediate parent company of Innovation, 江陰星輝文化傳播有限公司 (“Jiangyin Xinghui”), disposed (i) approximately 33.18% of its equity interests in Jiangyin Xinghui to 杭州新鼎明企業管理諮詢有限公司 (“HZ XDM”) and (ii) approximately 17.87% of its equity interest in Jiangyin Xinghui to 杭州博創文化創意有限公司 (“HZ Bochuang”), respectively (the “Disposals”). After the Disposals, Guotou Zhonglian does not hold any equity interest in Jiangyin Xinghui.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, (IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

## **New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

## **As a lessee – Leases previously classified as operating leases**

### ***Nature of the effect of adoption of HKFRS 16***

The Group has lease contracts for various items of buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

### ***Impacts on transition***

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.



The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	<b>Increase</b> HK\$'000 (Unaudited)
<b>Assets</b>	
Increase in right-of-use assets	<u>7,979</u>
Increase in total assets	<u><u>7,979</u></u>
<b>Liabilities</b>	
Increase in lease liabilities	<u>7,979</u>
Increase in total liabilities	<u><u>7,979</u></u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	HK\$'000 (Unaudited)
<b>Operating lease commitments as at 31 December 2018</b>	
Weighted average incremental borrowing rate as at 1 January 2019	<u>6%</u>
Discounted operating lease commitments as at 1 January 2019	9,157
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	<u>(1,178)</u>
<b>Lease liabilities as at 1 January 2019</b>	<u><u>7,979</u></u>

## **Summary of new accounting policies**

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

### ***Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

### ***Lease liabilities***

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

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

### Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

### Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	<b>Right-of- use assets</b>	<b>Lease liabilities</b>
	HK\$'000	HK\$'000
<b>As at 1 January 2019</b>	7,979	7,979
Depreciation charge	(1,203)	–
Interest expense	–	226
Payments	–	(1,292)
	<hr/>	<hr/>
<b>As at 30 June 2019</b>	<b>6,776</b>	<b>6,913</b>

The Group recognised rental expenses from short-term leases of HK\$753,000 for the six months ended 30 June 2019.

- (b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions and determined that the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

#### 4. OPERATING SEGMENTAL INFORMATION

Six months ended 30 June 2019

	Media and culture business HK\$'000 (Unaudited)	Entertainment and gaming business HK\$'000 (Unaudited)	Chemical products, and energy conservation and environmental protection products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue (note 5)</b>				
Sales to external customers	62,724	–	–	62,724
<b>Segment results</b>	37,254	(243)	(2,031)	34,980
<b>Reconciliation:</b>				
Corporate and other unallocated gains				11,632
Interest income				17
Corporate and other unallocated expense				(11,921)
Finance costs				(29,563)
Profit before tax				<u>5,145</u>

Six months ended 30 June 2018

	Media and culture business HK\$'000 (Unaudited)	Entertainment and gaming business HK\$'000 (Unaudited)	Chemical products, and energy conservation and environmental protection products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment revenue (note 5)</b>				
Sales to external customers	–	402	16,316	16,718
<b>Segment results</b>	(20,526)	1,627	(2,290)	(21,189)
<b>Reconciliation:</b>				
Corporate and other unallocated gains				47,714
Interest income				30
Corporate and other unallocated expense				(11,735)
Finance costs				(45,249)
Loss before tax				<u>(30,429)</u>

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively.

	Media and culture business HK\$'000 (Unaudited)	Entertainment and gaming business HK\$'000 (Unaudited)	Chemical products, and energy conservation and environmental protection products HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Segment assets</b>					
30 June 2019	<u>933,961</u>	<u>10,960</u>	<u>3,010</u>	<u>131,738</u>	<u>1,079,669</u>
31 December 2018	<u>404,035</u>	<u>11,065</u>	<u>4,012</u>	<u>27,341</u>	<u>446,453</u>
<b>Segment Liabilities</b>					
30 June 2019	<u>115,818</u>	<u>25,531</u>	<u>30,550</u>	<u>885,703</u>	<u>1,057,602</u>
31 December 2018	<u>11,616</u>	<u>25,462</u>	<u>4,951</u>	<u>567,776</u>	<u>609,805</u>

## 5. REVENUE

An analysis of revenue is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Revenue from contracts with customers</i>		
Revenue from film and TV series investments and products	<b>62,724</b>	–
Sale of goods	–	16,316
Promotion commission	–	76
Rendering of services	–	326
	<u><b>62,724</b></u>	<u>16,718</u>

**Disaggregated revenue information for revenue from contracts with customers**

**For the six months ended 30 June 2019**

**Segments**

	<b>Media and culture business HK\$'000 (Unaudited)</b>	<b>Entertainment and gaming business HK\$'000 (Unaudited)</b>	<b>Chemical products, and energy conservation and environmental protection products HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
<b>Type of goods or services</b>				
Revenue from film and TV series investments and products	<u>62,724</u>	<u>-</u>	<u>-</u>	<u>62,724</u>
Total revenue from contracts with customers	<u><u>62,724</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>62,724</u></u>
<b>Geographical markets</b>				
United States of America	41,522	-	-	41,522
PRC	<u>21,202</u>	<u>-</u>	<u>-</u>	<u>21,202</u>
Total revenue from contracts with customers	<u><u>62,724</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>62,724</u></u>

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

	<b>Media and culture business HK\$'000 (Unaudited)</b>	<b>Entertainment and gaming business HK\$'000 (Unaudited)</b>	<b>Chemical products, and energy conservation and environmental protection products HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
<b>Timing of revenue recognition</b>				
At a point in time	<u>62,724</u>	<u>-</u>	<u>-</u>	<u>62,724</u>

For the six months ended 30 June 2018

Segments

	Media and culture business HK\$'000 (Unaudited)	Entertainment and gaming business HK\$'000 (Unaudited)	Chemical products, and energy conservation and environmental protection products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Type of goods or services</b>				
Sales of goods	–	–	16,316	16,316
Promotion commission	–	76	–	76
Rendering of services	–	326	–	326
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	–	402	16,316	16,718
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Geographical markets</b>				
Australia	–	326	–	326
Panama	–	76	–	76
PRC	–	–	16,316	16,316
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	–	402	16,316	16,718
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Timing of revenue recognition</b>				
At a point in time	–	402	16,316	16,718
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

**For the six months ended 30 June 2019**

**Segments**

	Media and culture business HK\$'000 (Unaudited)	Entertainment and gaming business HK\$'000 (Unaudited)	Chemical products, and energy conservation and environmental protection products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Revenue from contracts with customers</b>				
External customers	<u>62,724</u>	<u>-</u>	<u>-</u>	<u>62,724</u>

For the six months ended 30 June 2018

Segments

	Media and culture business HK\$'000 (Unaudited)	Entertainment and gaming business HK\$'000 (Unaudited)	Chemical products, and energy conservation and environmental protection products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Revenue from contracts with customers</b>				
External customers	<u>-</u>	<u>402</u>	<u>16,316</u>	<u>16,718</u>



## 6. PROFIT/(LOSS) BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Cost of sales	<b>25,859</b>	15,925
Amortisation of film and TV series investments and products*	<b>25,859</b>	–
Depreciation of property, plant and equipment	<b>492</b>	663
Depreciation of right-of-use assets	<b>1,203</b>	–
Auditor's remuneration	<b>625</b>	474
Employee benefit expense(excluding directors' and chief executive's remuneration)		
Wages and salaries	<b>4,126</b>	5,805
Pension scheme contributions	<b>139</b>	295
	<b>4,265</b>	6,100
Loss on change in fair value of financial assets at fair value	–	297
Loss on change in fair value of convertible bonds	<b>547</b>	–
Gain on change in fair value of derivative financial liabilities	–	(35,729)
Loss on change in fair value of promissory note	–	1,449
Impairment loss on property, plant and equipment	–	418
Reversal of impairment loss on financial and contract assets, net	<b>(73)</b>	(3,184)
Reversal of impairment loss on a film investment	<b>(10,356)</b>	–

\* The amortisation of film and TV series investments and products are included in "Cost of sales" in the consolidated statement of profit or loss.

## 7. INCOME TAX

No provision for Hong Kong profits tax was made as the Group did not generate any assessable profits in Hong Kong during the period ended 30 June 2019 (2018: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, tax rate of the PRC subsidiaries was 25% (30 June 2018: 25%) for the period.

	<b>For the six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current – Hong Kong		
Charge for the year	–	–
Overprovision in prior years	–	–
Current – PRC	<b>890</b>	–
Deferred	–	–
	<hr/>	<hr/>
Total tax charge for the year	<b>890</b>	–
	<hr/> <hr/>	<hr/> <hr/>

## 8. DIVIDEND

No interim dividend has been paid or declared during each of the periods ended 30 June 2019 and 2018. The board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

### (a) Basic earnings/loss per share

The calculation of the basic earnings (2018: loss) per share amount is based on the profit (2018: loss) for the period attributable to ordinary equity holders of the parent of HK\$4,569,000 (30 June 2018: a loss of HK\$28,720,000), and the weighted average number of ordinary shares of 682,831,000 (30 June 2018: 673,565,000) in issue during the period, as adjusted to reflect the rights issue during the period.

### (b) Diluted earnings/loss per share

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2019.

For the period ended 30 June 2018, diluted loss per share amount was equal to the basic loss per share amount. No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2018 in respect of a dilution as the impact of the convertible bonds outstanding had anti-dilutive effect on the basic loss per share amount presented.

## 10. TRADE RECEIVABLES

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

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Within 1 month	–	–
1 to 3 months	–	34
Over 3 months	<u>697</u>	<u>664</u>
	<u><b>697</b></u>	<u><b>698</b></u>

## 11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
1 to 3 months	–	21
3 to 12 months	<b>21</b>	316
Over 1 year	<b>3,195</b>	2,882
	<b>3,216</b>	3,219

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND OPERATION REVIEW**

The Group's business has achieved a turnaround with net profit of approximately HK\$4.3 million during the first half of this year as revenue from its media and culture business amount to approximately HK\$62.7 million, compared with HK\$ nil with the last corresponding period.

#### **Media and Culture**

The Group's movies and TV drama series products and investments, projects incubating by film directors and related prepayments amounted to approximately HK\$793 million as at 30 June 2019, and the followings are some highlights:

##### ***Movies products and investments***

Movies products and investments amounted to approximately HK\$104 million as at 30 June 2019, which includes the followings:

##### ***Crazy Rich Asians***

The movie is 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 is 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 will be 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”. To date, excluding the Greater China area, overseas pre-sales has exceeded US\$30 million.

### *Scary Stories to Tell in the Dark*

The movie is distributed 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\$73,199,392.

## *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.

## ***TV drama series products and investments***

TV drama series products and investments together with related prepayments amounted to approximately HK\$394 million as at 30 June 2019, which includes the followings:

Empress is a historical period TV series invested and produced by the Group, which is set to be developed for 10 seasons with 10 to 12 episodes in each season. As the first English-language TV series narrating the legendary story of Wu Zetian, the project is intended to invite directors such as James Wan, Robert Zemeckis, Jon M. Chu and Roland Emmerich to be the directors for the pilot. Meanwhile, negotiation on the possibility of establishing a movie studio in Shaanxi for the “Empress” project with Shaanxi Broadcast and Television Group (陝西廣電集團) is currently ongoing. The movie of the same name is also in the process of filming.

My Robot Boyfriend, a urban love sci-fi comedy directed by Lai Chun Tsang and starring Chao Jiang and Xiaotong Mao, which currently has been entered into a distributor agreement with Zhejiang Satellite TV, is scheduled to be broadcasted in the second half of 2019 with concurrent release on Tencent Video.

Go For Gold is a sports-themed TV drama series directed by Qian Zhang, co-directed by Jun Yuan and Yong Tian and starring Kai Zheng, Doudou Zhang and Xing Xia. It has been approached with prime time of CCTV1 regarding censoring and has been selected into the List of Recommended Repertoire for the 70th Anniversary of the Founding of the People’s Republic of China proposed by the Publicity Department of the Communist Party of China and the State Administration of Radio, Film, and Television.

Da Lu Chao Dong, starring Jun Hu and Kaitong Jiang and an Integrity-themed TV series jointly produced with the Supreme People's Procuratorate, is in the final stage of release and pending for broadcast in platform.

## **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 11 film directors. Projects incubating by film directors together with related prepayments amounted to approximately HK\$294 million as at 30 June 2019, which includes the followings:

### *Malignant (tentative)*

The movie is independently co-financed by the Group and Midas Innovation. The motion picture written by Akela Cooper, based on a story by James Wan and Ingrid Bisu and to be directed and produced by James Wan, is the first project to go into production since the development deal was inked. New Line has the exclusive right to distribute the picture throughout the world excluding mainland China but including Hong Kong, Macau and Taiwan. Starring Annabelle Wallis, the film is currently in pre-production and is currently contemplated to start principal photography on September 25, 2019.

James Wan, Roland Emmerich, Jon M. Chu, Bryan Singer, 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 22 July 2018 for details of the profile of some of the film directors and the projects under development.

During the six months ended 30 June 2019, the Group's revenue generated from media and culture business amounted to approximately HK\$62.7 million (six months ended 30 June 2018: HK\$Nil), with a gross profit of approximately HK\$36.9 million (six months ended 30 June 2018: HK\$Nil).



## **Trading of chemical products, and energy conservation and environmental protection products**

As the management has allocated more resources to media and culture segment which are the Group's major growth drivers, this segment shrank and did not record revenue during the first half of 2019 (six months ended 30 June 2018: revenue of HK\$16.3 million and gross profit of HK\$498,000).

## **Entertainment and Gaming**

For the six months ended 30 June 2019, the Group has not generated revenue (For the six months ended 30 June 2018: revenue of HK\$402,000 and gross profit of HK\$295,000) from entertainment and gaming business. In view of the continued tightened credit control policy of the Group and the poor results recorded in the previous reporting periods, the management is in the process of reviewing the future prospect and development of this segment.

## **FINANCIAL REVIEW**

Turnover for the six months ended 30 June 2019 amounted to HK\$62.7 million (six months ended 30 June 2018: HK\$16.7 million). Profit attributable to the owners of the Company for the period amounted to HK\$4.6 million (six months ended 30 June 2018: Loss attributable to the owners of the Company of HK\$28.7 million). The improvement in the overall performance of the Group was mainly attributable to the followings:

- (i) the increase in gross profit of approximately HK\$36 million; and
- (ii) the decrease in selling and distribution expenses, administrative expenses and finance costs totaling approximately HK\$31 million, however, the decrease in the relevant expenses was offset by the following three factors:
  - a) the gain on change in fair value of derivative financial liabilities was HK\$Nil as of the six months ended June 30, 2019, while the gain on change in fair value of derivative financial liabilities was approximately HK\$36 million in the corresponding period last year;

- b) the increase in income tax expenses of approximately HK\$1 million; and
- c) the decrease in share of loss by the non-controlling interest of approximately HK\$1.4 million.

Basic earnings per share for the period amounted to approximately 0.67 HK cent (six months ended 30 June 2018: Basic loss per share of 4.26 HK cents).

As at 30 June 2019, the Group's equity attributable to the owners of the Company amounted to HK\$68.4 million, representing an increase in equity of HK\$185.7 million over the Group's deficiency attributable to the owners of the Company of HK\$117.3 million as at 31 December 2018. The equity per share attributable to the owners of the Company as at 30 June 2019 was approximately HK\$0.09 (31 December 2018: deficiency per share HK\$0.17).

## **MATERIAL ACQUISITION AND DISPOSAL**

There was no material acquisition and disposal during the six months ended 30 June 2019.

## **FUTURE PLANS AND PROSPECTS**

The management will continue to allocate more resources to media and culture segment which are the Group's major growth drivers.

With an aim to safeguard a higher shareholder's return, the Group is in the process of reviewing the future prospect and development of its other business segments, and at the same time exploring new business opportunities.

## **INTERIM DIVIDEND**

The Directors do not recommend any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

## **EVENT AFTER THE REPORTING PERIOD**

On 28 August 2019, the Company entered into subscription agreements with each of the subscribers, pursuant to which the Company will allot and issue, and the subscribers will subscribe for, an aggregate of 78,000,000 new shares at the subscription price of HK\$2.5 for each subscription share. The gross proceeds from the subscription are expected to be HK\$195,000,000.

Further details should be referred to the Company's announcement dated 28 August 2019.

Save as disclosed above, there is no major event after the reporting period that should be notified to the shareholders of the Company.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operation by internally generated cash flow, short-term and long term loans and through issuance of promissory note and convertible bonds.

Prudent financial management and selective investment criteria have enabled the Group to maintain a stable financial position. As at 30 June 2019, the Group's bank balances and cash amounted to approximately HK\$131,625,000 (31 December 2018: approximately HK\$26,907,000).

As at 30 June 2019, the current ratio was approximately 1.43 (31 December 2018: approximately -0.88) based on current assets of approximately HK\$1,062,400,000 (31 December 2018: approximately HK\$435,811,000) and current liabilities of approximately HK\$739,497,000 (31 December 2018: approximately HK\$494,820,000).

## **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES**

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2019, the Group employed 57 (31 December 2018: 57) employees. 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.

## **AUDIT COMMITTEE**

The audit committee, comprising all the four independent non-executive Directors, has discussed with the management and external auditors of the Company the accounting principles and practices adopted by the Group and reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2019, and is of the opinion that the preparation of the condensed consolidated financial statements has complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## **CORPORATE GOVERNANCE PRACTICES**

The Company recognises the importance of maintaining a high standard of corporate governance with an aim to protect the interest of shareholders.

The Company has adopted the Corporate Governance Code (the “Code”) as set out in Appendix 14 of Listing Rules on the Stock Exchange including those revised code provisions which became effective on 1 April 2012, 1 September 2013 and 1 January 2016. During the six months ended 30 June 2019, the Company complied with all applicable provisions of the Code for their respective applicable periods except for the deviation stated below:

### **Code Provision A.6.7**

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged commitments, three of the independent non-executive directors and the non-executive director were unable to attend the Company’s annual general meeting held on 21 June 2019.

## **PUBLICATION OF OTHER FINANCIAL INFORMATION**

Other financial information containing all of the information required by Appendix 16 of the Listing Rules will be available on the websites of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company at [www.starlightcul.com.hk](http://www.starlightcul.com.hk) in due course.

## APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, business partners, bankers and other business associates for their trust and support.

By Order of the Board  
**Starlight Culture Entertainment Group Limited**  
**Fang Jun**  
*Chairman*

Hong Kong, 29 August 2019

*As at the date of this announcement, the Board comprises seven executive Directors, namely Mr. Fang Jun, Mr. Chau Chit, Mr. Luo Lei, Mr. Gao Qun, Mr. Chen Jie, Ms. Wu Xiaoli and Mr. Hung Ching Fung; one non-executive Director, namely Mr. Wang Shoulei; and four independent non-executive Directors, namely Mr. Wong Wai Kwan, Mr. Michael Ngai Ming Tak, Mr. Ma Runsheng and Mr. Wong Wai Hung.*

\* *The English translation of Chinese names is included for information purposes only and should not be regarded as their official English translation.*