STARLIGHT CULTURE ENTERTAINMENT

# STARLIGHT CULTURE ENTERTAINMENT GROUP LIMITED
# 星光文化娛樂集團有限公司

*（formerly known as Jimei International Entertainment Group Limited 集美國際娛樂集團有限公司）*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1159)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

## INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Starlight Culture Entertainment Group Limited (Formerly known as Jimei International 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 2018, together with the comparative figures for the corresponding period in 2017 as follows:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2018*

| | | **For the six months ended 30 June** | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(unaudited)** | (unaudited) |
| REVENUE | *4* | **16,718** | 20,193 |
| Cost of goods sold and services provided | | **(15,925)** | (23,821) |

| | Notes | For the six months ended 30 June **2018** **HK$'000** **(unaudited)** | 2017 HK$'000 (unaudited) |
|---|---|---|---|
| Gross profit/(loss) | | **793** | (3,628) |
| Other income and gains | *4* | **16,285** | 11,046 |
| Operating expenses | | **(9,360)** | (11,973) |
| Administrative expenses | | **(29,633)** | (21,752) |
| Other expenses | | **(14)** | – |
| Impairment loss on available-for-sale investments | | **–** | (2,600) |
| Impairment loss on property, plant and equipment | | **(418)** | (4,568) |
| Impairment loss on trade and other receivables | | **(851)** | (17,913) |
| Reversal of impairment loss on trade and other receivables | | **4,035** | – |
| Loss on change in fair value of financial assets at fair value through profit or loss | | **(297)** | – |
| Loss on change in fair value of promissory note | | **(1,449)** | – |
| Gain/(loss) on change in fair value of derivative financial liabilities | | **35,729** | (151,661) |
| Finance costs | | **(45,249)** | (37,825) |
| LOSS BEFORE TAX | | **(30,429)** | (240,874) |
| Income tax expenses | *5* | **–** | – |
| LOSS FOR THE PERIOD | | **(30,429)** | (240,874) |
| Attributable to: | | | |
| Owners of the parent | | **(28,720)** | (237,858) |
| Non-controlling interests | | **(1,709)** | (3,016) |
| | | **(30,429)** | (240,874) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | | | |
| – For loss for the period | *6* | **HK cents (4.26)** | HK cents (43.84) |
| Dividend | *7* | **Nil** | Nil |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| LOSS FOR THE PERIOD | **(30,429)** | (240,874) |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **327** | (2,504) |
| Increase in fair value change of available-for-sale investments | **–** | 806 |
| Release of investment revaluation reserve to profit or loss for impairment loss on available-for-sale investments | **–** | 2,000 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | **327** | 302 |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | **(30,102)** | (240,572) |
| Attributable to: | | |
| Owners of the parent | **(28,411)** | (237,613) |
| Non-controlling interests | **(1,691)** | (2,959) |
| | **(30,102)** | (240,572) |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2018*

| | *Notes* | **30 June 2018** **HK$'000** **(unaudited)** | 31 December 2017 *HK$'000* (audited) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **10,537** | 11,187 |
| Club debenture | | **320** | 320 |
| Available-for-sale investments | | **–** | 9,313 |
| Financial assets at fair value through profit or loss | | **1,800** | – |
| Film products | | **18,864** | 13,312 |
| Film investments | | **49,297** | – |
| Goodwill | | **55,066** | 54,827 |
| Total non-current assets | | **135,884** | 88,959 |
| CURRENT ASSETS | | | |
| Trade and other receivables | *8* | **157,995** | 153,456 |
| Film products | | **–** | 3,370 |
| Restricted bank deposits | | **11,867** | – |
| Bank balances and cash | | **47,284** | 96,647 |
| Total current assets | | **217,146** | 253,473 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | *9* | **28,085** | 26,672 |
| Contract liabilities | | **1,813** | – |
| Amounts due to non-controlling interest of subsidiaries | | **22,888** | 22,985 |
| Borrowings and bank loan | | **30,418** | 12,799 |
| Promissory note | *11* | **–** | 95,226 |
| Derivative financial liabilities | *10* | **424** | 36,153 |
| Convertible bonds | *10* | **287,154** | 256,562 |
| Current tax liabilities | | **876** | 917 |
| Total current liabilities | | **371,658** | 451,314 |

| | Notes | 30 June 2018 HK$'000 (unaudited) | 31 December 2017 HK$'000 (audited) |
|---|---|---|---|
| NET CURRENT LIABILITIES | | **(154,512)** | (197,841) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **(18,628)** | (108,882) |
| NON-CURRENT LIABILITIES | | | |
| Contingent consideration payable | | **1,570** | 1,563 |
| Promissory note | *11* | **93,075** | – |
| Borrowings and bank loan | | **27,274** | – |
| Total non-current liabilities | | **121,919** | 1,563 |
| NET LIABILITIES | | **(140,547)** | (110,445) |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | **67,356** | 67,356 |
| Reserves | | **(164,757)** | (136,346) |
| Equity attributable to owners of the parent | | **(97,401)** | (68,990) |
| Non-controlling interests | | **(43,146)** | (41,455) |
| Total deficiency | | **(140,547)** | (110,445) |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 1. GENERAL

Starlight Culture Entertainment Group Limited (formerly known as Jimei International 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.

The Company's parent is Cosmic Leader Holdings Limited and the directors of the Company (the "Directors") consider its ultimate holding company is Cosmic Leader Holdings Limited and the ultimate controlling shareholder is Mr. Yan Xu, with effect from April 2017. Cosmic Leader Holdings Limited is incorporated in the Republic of Seychelles.

The Company is an investment holding company where the Group, comprising the Company and its subsidiaries, is principally engaged in media and culture business, trading of chemical products, energy conservation and environmental protection products, and entertainment and gaming business.

## 2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

### 2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2018 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

***Going concern assumption***

During the period, the Group incurred a loss attributable to owners of the parent of HK$28,720,000 (the period ended 30 June 2017: HK$237,858,000) and at the end of reporting period, the Group had net current liabilities of approximately HK$154,512,000 (31 December 2017: HK$197,841,000) and net liabilities of HK$140,547,000 (31 December 2017: HK$110,445,000). These conditions give rise to a material uncertainty which may cast significant doubt upon the company's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The directors have been taking various initiatives to improve the Group's operating cash flows, which include:

– The Company obtained the financial support letter from Mr. Chau Chit, the executive director of the Company, pursuant to which Mr. Chau Chit shall provide full financial support to the Company whenever there is deficiency in its working capital;

– The Group entered into a side letter with the existing promissory note holder, pursuant to which the due date of the promissory note in the principal amount of US$12,884,615.38 shall be extended until 12 December 2019, and both parties shall jointly appoint an independent valuer to conduct a valuation of Starlight Legend Group as at 31 December 2018 (the "Updated Valuation"). If the Updated Valuation is less than US$25,000,000, the promissory note holder irrevocably, unconditionally, and absolutely agrees to waive and forgo the principal amount of the promissory note payable by the Company under the promissory note to the extent of an amount equal to the difference between the Updated Valuation and US$25,000,000;

– The Group obtained consent from the existing Convertible Bond holders, with principal amount of approximately HK$315,000,000 due on 1 December 2018, to extend the due date of the captioned Convertible Bond for a year till 2 December 2019 upon the request by the Company before the due date;

– The directors of the Company expect that income from media and culture business segment and related film licensing and investing income will contribute operating cash flows to the Group in the coming years. As one invested film "Crazy Rich Asian" would be released in August 2018; and

– The Group is actively considering raising new capital by obtaining new borrowings and carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of other convertible bonds.

In the opinion of the directors of the Company, after considering the Group's forecast and projections, operation as well as capital expenditure and the above financing arrangements of the Group, the Group is expected to have sufficient liquidity to finance its operations for the next twelve months subsequent to end of reporting period. Therefore, the unaudited interim condensed consolidated financial statements of the Group have been prepared on a going concern basis.

Should the aforesaid financing arrangements cannot be realised, the Group may not be able to continue in business as a going concern, and adjustments would have to be made to adjust the values of assets to their estimated realisable values, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in the the unaudited interim condensed consolidated financial statements.

The preparation of the unaudited interim condensed consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**2.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as at 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments* that recognise the cumulative effect of the initial application as an adjustment to the opening balance of equity at 1 January 2018. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Several other standards and amendments are applied for the first time in 2018 by the Group. However, they do not have an impact on the interim condensed consolidated financial statements of the Group.

***HKFRS 9 Financial Instruments***

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. HKFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

The Group has applied HKFRS 9 retrospectively, with the initial application date of 1 January 2018 and chose not to adjust the comparative information for the period beginning 1 January 2017.

*(a)* *Classification and measurement*

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables, and club debenture.

Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's quoted equity securities were classified as available-for-sale ("AFS"). Upon transition, the AFS reserve relating to quoted equity securities, which had been previously recognised under accumulated OCI, was reclassified to accumulated losses.

The assessment of the Group's business models was made as at the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments were solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. On 1 January 2018, the Group's management has assessed and classified its financial assets into appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

| **1 January 2018** | **AFS** | **FVPL** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Closing balance as at 31 December 2017 under HKAS 39** | 9,313 | – |
| Reclassification of AFS to FVPL | (9,313) | 9,313 |
| **Opening balance as at 1 January 2018 under HKFRS 9** | – | 9,313 |

The adjustment to the opening balance of accumulated losses as at 1 January 2018, which was recognised in the statement of changes in equity for the six months ended 30 June 2018, was as follows:

| **1 January 2018** | **Investment revaluation reserve** | **Accumulated losses** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Closing balance as at 31 December 2017 under HKAS 39** | 1,804 | – |
| Reclassification of AFS to FVPL | (1,804) | 1,804 |
| **Opening balance as at 1 January 2018 under HKFRS 9** | – | 1,804 |

There was no material impact on the statement of cash flows and the basic and diluted loss per share.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

*(b)* *Impairment*

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix based on both quantitative and qualitative information that is reasonable and supportable, including historical credit loss experiences adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e. club debenture), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

***HKFRS 15 Revenue from Contracts with Customers***

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. As allowed by HKFRS 15, the Group applied the new requirement only to contracts that are not completed before 1 January 2018.

*(a) Revenue recognition*

Revenue from trading business represents the Group's contracts with customers for the sale of goods, which generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue from entertainment and gaming business represents revenue from game promotion operations which generally include one performance obligation, and is recognised when services are provided.

Therefore, the adoption of HKFRS 15 did not have an impact on the timing and amount of revenue recognition.

*(b) Presentation and disclosure requirements*

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 4 for the disclosure on disaggregated revenue.

## 3. SEGMENTAL INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker ("CODM") that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations of each of the Group's reportable segments:

- Entertainment and gaming business – receiving commission and services income from casino entertainment and gaming promotion services;

- Chemical products, and energy conservation and environmental protection products – trading of chemical products, and energy conservation and environmental protection products; and

- Media and culture business – investment, production and distribution of entertainment content such as films and drama series.

The following is an analysis of the Group's revenue and results by operating segments:

**Segment revenue, results, assets and liabilities**

**For the six months ended 30 June 2018 (unaudited)**

| | Entertainment and gaming business *HK$'000* | Chemical products, and energy conservation and environmental protection products *HK$'000* | Media and culture business *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **Revenue – External sales** | **402** | **16,316** | **–** | **16,718** |
| Segment profit/(loss) | **1,627** | **(2,290)** | **(20,526)** | **(21,189)** |
| **Unallocated income/ (expense) items:** | | | | |
| Central administration costs and directors' salaries * | – | – | – | **(9,989)** |
| Other revenue | – | – | – | **12,015** |
| Fair value change of financial assets at fair value through profit or loss | – | – | – | **(297)** |
| Gain on change in fair value of derivative financial liabilities | – | – | – | **35,729** |
| Loss on change in fair value of promissory note | – | – | – | **(1,449)** |
| Finance costs | – | – | – | **(45,249)** |
| Loss before income tax expense | – | – | – | **(30,429)** |
| **As at 30 June 2018 (unaudited)** | | | | |
| **Segment assets** | **11,317** | **11,768** | **280,703** | **303,788** |
| **Segment liabilities** | **28,280** | **10,328** | **71,840** | **110,448** |

For the six months ended 30 June 2017 (unaudited)

| | Entertainment and gaming business *HK$'000* | Chemical products, and energy conservation and environmental protection products *HK$'000* | Media and culture business *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **Revenue – External sales** | 8,537 | 11,656 | – | 20,193 |
| Segment loss | (17,127) | (4,246) | (11,714) | (33,087) |
| **Unallocated income/ (expense) items:** | | | | |
| Central administration costs and directors' salaries * | – | – | – | (14,348) |
| Other revenue | – | – | – | 70 |
| Impairment loss on available-for-sale investments | – | – | – | (2,600) |
| Impairment loss on property, plant and equipment | – | – | – | (1,423) |
| Loss on change in fair value of derivative financial liabilities | – | – | – | (151,661) |
| Finance costs | – | – | – | (37,825) |
| Loss before income tax expense | – | – | – | (240,874) |
| **As at 31 December 2017 (audited)** | | | | |
| **Segment assets** | 46,999 | 12,027 | 192,052 | 251,078 |
| **Segment liabilities** | 29,172 | 11,789 | 21,068 | 62,029 |

* *The costs mainly represent directors' remuneration, staff costs in Hong Kong, entertainment costs, legal and professional fees and rental expenses incurred by the Company for central administrative function.*

The reconciliation between the segment assets and liabilities and the respective consolidated balances is as follows:

| | **30 June 2018** **HK$'000** **(unaudited)** | 31 December 2017 *HK$'000* (audited) |
|---|---|---|
| **Assets** | | |
| Segment assets | **303,788** | 251,078 |
| Bank balances and cash | **47,284** | 66,189 |
| Other unallocated assets | **1,958** | 25,165 |
| Consolidated assets | **353,030** | 342,432 |
| **Liabilities** | | |
| Segment liabilities | **110,448** | 62,029 |
| Convertible bonds | **287,154** | 256,562 |
| Derivative financial liabilities | **424** | 36,153 |
| Promissory note | **93,075** | 95,226 |
| Contingent consideration payable | **1,570** | 1,563 |
| Other unallocated liabilities | **906** | 1,344 |
| Consolidated liabilities | **493,577** | 452,877 |

Segment assets exclude certain cash and cash equivalents, financial assets at fair value through profit or loss (31 December 2017: available-for-sale investments) and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude convertible bonds, derivative financial liabilities, derivative financial instruments, promissory note, contingent consideration payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

### Other segment information

### For the six months ended 30 June 2018 (unaudited)

| | Entertainment and gaming business *HK$'000* | Chemical products, and energy conservation and environmental protection products *HK$'000* | Media and culture business *HK$'000* | Unallocated *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|
| Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets: | | | | | |
| Additions to non-current assets | – | 432 | – | 5 | 437 |
| Depreciation of property, plant and equipment | 105 | 262 | 274 | 22 | 663 |
| Reversal of impairment loss on trade and other receivables | (4,035) | – | – | – | (4,035) |
| Fair value change of financial assets at fair value through profit or loss | – | – | – | 297 | 297 |
| Impairment loss on property, plant and equipment | – | 418 | – | – | 418 |
| Impairment loss on trade and other receivables | 851 | – | – | – | 851 |
| Loss on change in fair value of derivative financial liabilities | – | – | – | 35,729 | 35,729 |
| Loss on change in fair value of promissory note | – | – | – | 1,449 | 1,449 |
| Derecognition gain of promissory note | – | – | – | (5,377) | (5,377) |
| Finance costs | – | – | – | 45,249 | 45,249 |

For the six months ended 30 June 2017 (unaudited)

| | Entertainment and gaming business *HK$'000* | Chemical products, and energy conservation and environmental protection products *HK$'000* | Media and culture business *HK$'000* | Unallocated *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|
| Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets: | | | | | |
| Additions to non-current assets | – | 3,208 | – | – | 3,208 |
| Depreciation of property, plant and equipment | 150 | 301 | – | 316 | 767 |
| Impairment loss on available-for-sale investments | – | – | – | 2,600 | 2,600 |
| Impairment loss on property, plant and equipment | 1,209 | 1,936 | – | 1,423 | 4,568 |
| Impairment loss on trade and other receivables | 17,913 | – | – | – | 17,913 |
| Loss on change in fair value of derivative financial liabilities | – | – | – | 151,661 | 151,661 |
| Finance costs | – | – | – | 37,825 | 37,825 |

**Geographical information**

The Group's operations are mainly located in Australia, the United States of America, and the People's Republic of China excluding Hong Kong ("Mainland China").

The following table provides an analysis of revenue from external customers derived from operations in countries outside Hong Kong, irrespective of the origin of the goods and information about its non-current assets by geographical location of the asset.

***Revenue from external customers six months ended 30 June***

| | **30 June 2018** | 30 June 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Australia | **326** | 6,711 |
| Kingdom of Cambodia | **–** | 1,826 |
| Panama | **76** | – |
| Mainland China | **16,316** | 11,656 |
| | **16,718** | 20,193 |

**Non-current assets**

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Hong Kong | **62,746** | 1,106 |
| Australia | **8,608** | 8,713 |
| Mainland China | **1,058** | 1,311 |
| United States of America | **61,672** | 68,516 |
| | **134,084** | 79,646 |

*Note:* Non-current assets excluded financial assets at fair value through profit or loss. (31 December 2017: Non-current assets exclude available-for-sale investments.)

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HKD'000*** | *HKD'000* |
| | **(unaudited)** | (unaudited) |
| Revenue | | |
| Sale of goods | **16,316** | 11,656 |
| Promotion commission | **76** | 2,827 |
| Rendering of services | **326** | 5,710 |
| | **16,718** | 20,193 |
| Other income | | |
| Interest income from loans receivable | **–** | 308 |
| Bank interest income | **30** | 18 |
| Derecognition gain of promissory note | **5,377** | – |
| Others | **–** | 69 |
| | **5,407** | 395 |
| Gains | | |
| Foreign exchange differences, net | **–** | 10,590 |
| Litigation compensation | **6,957** | – |
| Waiver of agency fee | **3,921** | – |
| Overpayment from patron | **–** | 61 |
| | **10,878** | 10,651 |
| | **16,285** | 11,046 |

## 5. INCOME TAX EXPENSES

The amount of taxation in the condensed consolidated statement of comprehensive income represents:

| | **30 June 2018** | 30 June 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Current tax for the period | **–** | – |
| Income tax expense | **–** | – |

Under Treasury Laws Amendment (Enterprise Tax Plan) Act 2017, the standard tax rate on profit in Australia was 30% (30 June 2017: 30%) for the period.

Under the Cambodian law on Taxation and Prakas of Tax on Profit, the standard tax on profit rate in Kingdom of Cambodia was 20% (30 June 2017: 20%) for the period.

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 2017: 25%) for the period.

Under the Law of the United States Enterprise Income tax, the tax rate of 22.5-29.84% (30 June 2017: 39.8%) on the estimated assessable profit is applied on the USA subsidiaries.

For the six months ended 30 June 2018 and 2017, no provision has been made as the Group had no assessable income derived from corresponding areas or countries.

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

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the parent of HK$28,720,000 (30 June 2017: HK$237,858,000) and the weighted average of 673,565,000 ordinary shares (30 June 2017: 542,499,000 ordinary shares).

**(b) Diluted loss per share**

For the periods ended 30 June 2018 and 30 June 2017, diluted loss per share amounts were equal to the basic loss per share amounts as there were no diluted potential ordinary shares in issue during both of the periods 30 June 2018 and 30 June 2017. The computation of diluted loss per share did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in decrease in loss per share for both of the periods then ended.

## 7. DIVIDEND

No interim dividend has been paid or declared during each of the periods ended 30 June 2018 and 2017. The board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

## 8. TRADE AND OTHER RECEIVABLES

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Trade receivables from trading business *(note (i))* | **8,111** | 6,214 |
| Advances to patrons *(note (ii))* | **–** | 31,189 |
| Amounts due from casinos *(note (iii))* | **2,478** | 3,329 |
| Film project prepayment | | |
| – Prepayment to film directors | **113,159** | 91,542 |
| – Prepayment to film/television series production | **24,160** | 13,305 |
| Other receivables | | |
| – Prepayments | **2,520** | 675 |
| – Trade and other deposits paid and others | **7,567** | 7,202 |
| | **157,995** | 153,456 |

The Group generally does not charge interest for credit granted. The Group does not hold any collateral from the trade customers in trading business but may require personal cheque or other acceptable forms of security from patrons.

*Notes:*

(i) The aging analysis of trade receivables as at the end of reporting period based on invoice dates is as follows:

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0 to 30 days | **4,627** | 2,642 |
| 31 to 90 days | **–** | – |
| 91 to 180 days | **–** | 68 |
| 181 to 365 days | **236** | 7,669 |
| Over 1 year | **9,949** | 2,675 |
| | **14,812** | 13,054 |
| Impairment loss on trade and other receivables | **(6,701)** | (6,840) |
| | **8,111** | 6,214 |

(ii) The aging analysis of advances to patrons as at the end of reporting period based on the date of credit granted is as follows:

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0 to 30 days | **–** | – |
| 31 to 90 days | **–** | – |
| 181 to 365 days | **–** | 7,342 |
| Over 1 year | **133,121** | 160,987 |
| | **133,121** | 168,329 |
| Allowance for doubtful debts | **(133,121)** | (137,140) |
| | **–** | 31,189 |

(iii) The aging analysis of amounts due from casinos as at the end of reporting period based on the date of credit granted is as follows:

| | 30 June 2018 HK$'000 (unaudited) | 31 December 2017 HK$'000 (audited) |
|---|---|---|
| 0 to 30 days | – | – |
| 31 to 90 days | – | – |
| 91 to 365 days | – | 3,329 |
| Over 1 year | 3,329 | – |
| | 3,329 | 3,329 |
| Allowance for doubtful debts | (851) | – |
| | 2,478 | 3,329 |

The Group closely monitors the granting of credit and periodically reviews the recoverability of each trade receivable and each advance to patrons. Before accepting any new customer, the Group assesses the potential customer's credit quality and decide credit limits by customer. Limits attributed to customers are reviewed periodically. Management considers that these third parties have sufficient financial capacity to repay.

## 9. TRADE AND OTHER PAYABLES

| | 30 June 2018 HK$'000 (unaudited) | 31 December 2017 HK$'000 (audited) |
|---|---|---|
| Trade payables from trading business *(note (i))* | 6,172 | 3,177 |
| Amounts due to casinos *(note (ii))* | 2,478 | 2,478 |
| Amounts due to patrons *(note (iii))* | 1,176 | 1,176 |
| Other payables and accruals | 6,406 | 7,096 |
| Trade deposits received | 11,853 | 1,024 |
| Film agency fee payable | – | 11,721 |
| | 28,085 | 26,672 |

*Notes:*

(i) Ageing analysis of the trade payables from trading business, based on invoice dates, at the respective reporting dates is as follows:

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0 to 30 days | **3,033** | – |
| 31 to 90 days | **–** | – |
| 91 to 365 days | **–** | 2,628 |
| Over 1 year | **3,139** | 549 |
| | **6,172** | 3,177 |

(ii) Ageing analysis of the amounts due to casinos, based on the date of credit granted, at the respective reporting dates is as follows:

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0 to 30 days | **–** | – |
| 31 to 90 days | **–** | – |
| 91 to 365 days | **–** | 2,478 |
| Over 1 year | **2,478** | – |
| | **2,478** | 2,478 |

(iii) Ageing analysis of the amounts due to patrons, based on the date of credit granted, at the respective reporting dates is as follows:

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0 to 30 days | **–** | – |
| 31 to 90 days | **–** | – |
| 91 to 365 days | **–** | 808 |
| Over 365 days | **1,176** | 368 |
| | **1,176** | 1,176 |

## 10. CONVERTIBLE BONDS

The convertible bonds recognised in the condensed consolidated statement of financial position at the end of reporting date comprise 8% coupon bonds due 1 December 2018.

The carrying value of the liability component of convertible bonds recognised in the condensed consolidated statement of financial position at the end of the reporting period were as follows:

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| At 1 January | **256,562** | 207,557 |
| Interest charge for the period/year | **43,192** | 74,205 |
| Interest payment | **(12,600)** | (25,200) |
| | **287,154** | 256,562 |
| Categorised as: | | |
| Convertible bonds – current liabilities | **287,154** | 256,562 |
| | **287,154** | 256,562 |

The interest charge of convertible bonds for the period ended 30 June 2018 was calculated using the effective interest method by applying an effective interest rate of approximately 31% (year ended 31 December 2017: 31%) to the liability component.

**Derivative component**

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| At 1 January | **36,153** | 6,260 |
| (Gain)/loss on change in fair value of derivative financial liabilities | **(35,729)** | 29,893 |
| | **424** | 36,153 |

## 11. PROMISSORY NOTE

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| At 1 January | **95,226** | – |
| Issuance of promissory note | **–** | 94,772 |
| Imputed interest | **1,368** | 283 |
| Derecognition gain of promissory note | **(5,377)** | – |
| Loss on change in fair value of promissory note | **1,449** | – |
| Exchange realignment | **409** | 171 |
| | **93,075** | 95,226 |
| Categorised as: | | |
| Promissory note – current liabilities | **–** | 95,226 |
| Promissory note – non-current liabilities | **93,075** | – |
| | **93,075** | 95,226 |

On 13 December 2017, the Company issued a promissory note with a principal amount of US$12,884,615 (equivalent to HK$100,500,000), as part of the consideration for the acquisition of entire equity interests in the Starlight Legend Group. The promissory note is unsecured, interest free, and with a maturity date of 12 December 2018, which is 12 months from the completion date of the business acquisition.

As at 31 December 2017, the promissory note is measured at amortised cost using the effective interest rate method with the effective interest rate at 6% per annum.

On 29 March 2018, The Group entered into a side letter with the existing promissory note holder agreed that:

a) both parties shall jointly appoint an independent valuer, to conduct a valuation of Starlight Legend Group as at 31 December 2018 (the "Updated Valuation"). The determination by the independent valuer shall be final and binding on the existing promissory note holder and the Company.

b) If the Updated Valuation is less than US$25,000,000, the promissory note holder irrevocably, unconditionally, and absolutely agrees to waive and forgo the principal amount of the promissory note payable by the Company under the promissory note to the extent of an amount equal to the difference between the Updated Valuation and US$25,000,000.

c) The due date of the Promissory Note shall be extended until 12 December 2019.

The repayment amount of promissory note is contingent upon the valuation of Starlight Legend Group as at 31 December 2018. Therefore, the promissory note was changed from financial liabilities at amortised cost to hybrid instrument at fair value.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business and Operational Review

Turnover for the six months ended 30 June 2018 amounted to HK$16.7 million (six months ended 30 June 2017: HK$20.2 million). Loss attributable to the owners of the Company for the period amounted to HK$28.7 million (six months ended 30 June 2017: HK$237.9 million). The decrease in loss of approximately HK$209.2 million was mainly attributable to the gain on change in fair value of derivative financial liabilities of approximately HK$36 million recognized for the six months ended 30 June 2018 as compared to a loss of approximately HK$152 million recognized for the six months ended 30 June 2017 in relation to the convertible bonds issued by the Company; and the decrease in impairment losses and increase in reversal of impairment losses of approximately HK$28 million.

Basic loss per share for the period amounted to approximately 4.26 HK cents (six months ended 30 June 2017: 43.84 HK cents).

As at 30 June 2018, the Group's deficiency attributable to the owners of the Company amounted to HK$97.4 million, representing an increase in deficiency of HK$28.4 million over the Group's deficiency attributable to the owners of the Company of HK$69.0 million as at 31 December 2017. The deficiency per share attributable to the owners of the Company as at 30 June 2018 was approximately HK$0.14 (31 December 2017: HK$0.10).

## Segmental Analysis

### *Entertainment and Gaming*

For the six months ended 30 June 2018, with the effect of the tightened credit control measures, the Group generated revenue and gross profit in the amount of approximately HK$402,000 (For the six months ended 30 June 2017: HK$8.5 million) and HK$295,000 (For the six months ended 30 June 2017: gross loss of HK$4.0 million) respectively from entertainment and gaming business.

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

During the six months ended 30 June 2018, the Group has shown improvement towards its trading businesses, its chemical products business, and energy conservation and environmental protection products business. The Group's revenue amounted to HK$16.3 million (six months ended 30 June 2017: HK$11.7 million), with a gross profit of HK$498,000 (six months ended 30 June 2017: HK$367,000).

***Media and Culture***

Up to 30 June 2018, the Group has the following investment in movies and TV series, as well as projects incubating by directors:

## INVESTMENT IN MOVIES AND TV SERIES

The movie "Marshall", which was obtained by the Group through acquisition, 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. The Group arranged the investment in the epic drama film "Midway", 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 will start principal photography in September 2018 and is expected to be released in 2019. 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 sales figure has exceeded US$27 million. 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.

The movie “Crazy Rich Asians”, which 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), is 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. It will also subvert cultural stereotype. Since the trailer was rolled out, it has been viewed by tens of millions of times. 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.

The thriller/crime film “The Widow”, which 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, is now in post-production. Currently, international sales of the movie are undertaken by veteran sales agency Sierra/Affinity. To date, international sales is anticipated to be US$6 million. The movie is expected to premiere at the Toronto International Film Festival in September 2018 and be released in late 2018 or early 2019.

The historical period TV series “Empress” invested and produced by the Group is set to be developed for 10 seasons with 10-12 episodes in each season. The pilot script is expected to be completed by the end of 2018. 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.

## PROJECTS INCUBATING BY 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 10 film directors, namely James Wan, Roland Emmerich, Jon M. Chu, Bryan Singer, Robert Zemeckis, Alan Taylor, Jonathan Liebesman, F. Gary Gray, Sylvester Stallone and Nattawut Poonpiriya 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.

Details of the profile of the film directors and the projects under development may be referred to the Company's announcement dated 22 July 2018.

For the six months ended 30 June 2018, the Group has not yet generated revenue from media and culture business (six months ended 30 June 2017: HK$NIL).

## MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal during the six months ended 30 June 2018.

## FUTURE PLANS AND PROSPECTS

While the Group has strived to improve its performance in its trading business as well as to improve its credit control over its entertainment and gaming business, it will continue to look for new business opportunities.

Since the year of 2017, the Group has established its media and culture business. The Group shall continue to explore the possibility of further extending its business into the media market to further broaden its income sources.

The Group shall strive to take a prudent approach in business development to safeguard a higher shareholder's return.

## INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

## EVENT AFTER THE REPORTING PERIOD

### Letter of intent

Details should be referred to the Company's announcement dated 22 August 2018 that the Company was informed by ZFIL that on 18 August 2018, ZFIL entered into the Letter of Intent with the Potential Purchaser, which set out, among other things, the non-binding provisions in respect of the intention of the Potential Purchaser (as purchaser) to purchase, and ZFIL (as chargee of the Subject Shares) to exercise its rights under the Share Charge and other related documents to effect the transfer from Cosmic Leader to the Potential Purchaser of, the Subject Shares. The Subject Shares represent approximately 54.8% of the entire issued share capital of the Company as at the date of this announcement. Accordingly, if the Transfer materializes, it will lead to a change in control of the Company and a mandatory general offer under the Takeovers Code for all the issued Shares (other than those already owned by or agreed to be acquired by the Potential Purchaser and parties acting in concert with it). There is a binding provision under the Letter of Intent that on or before 20 August 2018, the Potential Purchaser shall deposit a sum of HK$20,000,000 to ZFIL as earnest money which shall be applied upon completion of the Transfer towards the satisfaction of the consideration of the Transfer. In the event that completion of the Transfer does not take place on or before 7 September 2018, ZFIL shall refund HK$20,000,000 (without interest) to the Potential Purchaser within 3 business days after 7 September 2018.

No formal and legally binding agreement has been entered into in respect of the Transfer as at the date of this announcement. The discussions are still in progress and the Transfer may or may not proceed. Cosmic Leader holds 369,313,514 Shares as at the date of this announcement, representing approximately 54.8% of the issued Shares.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cash flow, short-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 2018, the Group's bank balances and cash amounted to approximately HK$47,284,000 (31 December 2017: approximately HK$96,647,000).

As at 30 June 2018, the current ratio was approximately 0.58 (31 December 2017: approximately 0.56) based on current assets of approximately HK$217,146,000 (31 December 2017: approximately HK$253,473,000) and current liabilities of approximately HK$371,658,000 (31 December 2017: approximately HK$451,314,000).

## 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 2018, the Group employed 47 (31 December 2017: 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.

## CONTINGENT LIABILITIES

On 14 September 2017, the Company entered into share purchase agreement with a related party, controlled by a controlling shareholder (the then director) of the Company for the acquisition of entire equity interest of Starlight Legend Investment Limited and its subsidiaries. According to the share purchase agreement, agreed payment is a contingent consideration that will be realised if the acquired business and the existing projects achieve their respective profit target, calculated on certain predetermined basis, during the designated period of time. For the six months period ended 30 June 2018, the contingent consideration payable is HK$1,570,000 (31 December 2017: HK$1,563,000). Save as disclosed above, the Group had no significant contingent liability as at 30 June 2018.

## 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 2018, 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 2018, 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 2018, the Company complied with all applicable provisions of the Code for their respective applicable periods except for the deviations stated below:

### Code Provision E.1.2

Under code provision E.1.2, the chairman should attend the annual general meeting. Due to other pre-arranged commitments, the then chairman was unable to attend the Company's annual general meeting held on 29 June 2018.

**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 29 June 2018.

## 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 and the Company at 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**
**Luo Lei**
*Executive Director and Chief Executive Officer*

Hong Kong, 31 August 2018

*As at the date of this announcement, the Board of the Company comprises five executive Directors, namely Mr. Chau Chit, Mr. Luo Lei, Ms. Chen Hong, Mr. Hung Ching Fung and Mr. Li Haitian; 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. Kong Chi Mo and Mr. Hong Tao.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.*

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