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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

ANNUAL 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**") hereby announces the annual consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017, together with the corresponding comparative figures for the year ended 31 December 2016 as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	5	**39,958**	195,562
Cost of goods sold and services provided		**(43,161)**	(118,490)
Gross (loss)/profit		**(3,203)**	77,072
Other revenue		**746**	1,193
Operating expenses		**(78,304)**	(3,938)
Administrative expenses		**(34,262)**	(42,780)
Impairment loss on goodwill	11	**(43,844)**	–
Impairment loss on available-for-sale investments		**(3,000)**	–
Impairment loss on property, plant and equipment		**(5,132)**	(1,740)
Impairment loss on trade and other receivables		**(24,753)**	(100,855)
(Loss)/gain on change in fair value of derivative financial liabilities		**(29,893)**	89,221
Finance costs	6	**(77,351)**	(68,736)
Reversal of impairment loss on trade receivables		**1,017**	–
Loss before income tax expense	7	**(297,979)**	(50,563)
Income tax expense	8	**–**	(331)
Loss for the year		**(297,979)**	(50,894)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating of foreign operations		**(3,381)**	(843)
Increase/(decrease) in fair value of available-for-sale investments		**1,108**	(2,006)
Release of investment revaluation reserve to profit or loss for impairment loss on available-for-sale investments		**2,000**	–
Other comprehensive income for the year, net of tax		**(273)**	(2,849)
Total comprehensive income for the year		**(298,252)**	(53,743)

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Loss for the year, attributable to:			
– Owners of the Company		**(294,439)**	(39,766)
– Non-controlling interests		**(3,540)**	(11,128)
		(297,979)	(50,894)
Total comprehensive income for the year, attributable to:			
– Owners of the Company		**(294,778)**	(42,560)
– Non-controlling interests		**(3,474)**	(11,183)
		(298,252)	(53,743)
Loss per share	*9*		
– Basic		**HK cents (49.15)**	HK cents (8.06)
– Diluted		**HK cents (49.15)**	HK cents (8.50)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**11,187**	12,410
Club debenture		**320**	–
Available-for-sale investments		**9,313**	9,205
Film product	*13*	**13,312**	–
Goodwill	*11*	**54,827**	–
		88,959	21,615
Current assets			
Trade and other receivables	*12*	**153,456**	227,037
Film product	*13*	**3,370**	–
Bank balances and cash		**96,647**	133,000
		253,473	360,037
Current liabilities			
Trade and other payables	*14*	**26,672**	14,924
Amount due to a related company		**–**	2,519
Amounts due to non-controlling interest of subsidiaries		**22,985**	22,580
Borrowings and bank loan		**12,799**	12,220
Promissory note	*19*	**95,226**	–
Derivative financial liabilities	*15*	**36,153**	6,260
Convertible bonds	*15*	**256,562**	50,028
Current tax liabilities		**917**	1,059
		451,314	109,590
Net current (liabilities)/assets		**(197,841)**	250,447
Total assets less current liabilities		**(108,882)**	272,062

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Non-current liabilities			
Convertible bonds	*15*	**–**	207,557
Contingent consideration payable	*16*	**1,563**	–
		1,563	207,557
Net (liabilities)/assets		**(110,445)**	64,505
Equity			
Share capital	*17*	**67,356**	49,356
Reserves		**(136,346)**	59,014
Equity attributable to owners of the Company		**(68,990)**	108,370
Non-controlling interests		**(41,455)**	(43,865)
Total (deficiency)/equity		**(110,445)**	64,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 addresses of the registered office and principal place of business of the Company are at Unit 3, 12/F, No. 118 Connaught Road West, Hong Kong, respectively.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the financial statement. Comparative information for prior year has not been provided in account with the transitional provision set out in the amendments.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these consolidated financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transaction[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

[1] *Effective for annual periods beginning on or after 1 January 2018*

[2] *Effective for annual periods beginning on or after 1 January 2019*

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Amendments to HKFRS 2– Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at Fair Value Through Other Comprehensive Income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at Financial Assets and Liabilities at Fair Value Through Profit or Loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans to elect this designation option for the investments held on 1 January 2018 and will recognise any subsequent fair value changes in respect of these investments in other comprehensive income as they arise. More detailed assessment will be performed by the Group.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of the financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) *Impairment*

The new impairment model in HKFRS 9 replace the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group has assessed how its impairment provisions would be affected by the new model. So far it has concluded that there would be no material impact for the application of the new impairment requirements.

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim period within annual reporting periods beginning on or after 1 January 2018 and will allow early adoption. Management is currently assessing the effects of applying the new standard on the Group's financial statements.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Management is currently assessing the effects of applying the new standard on the Group's financial statements.

HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 " Leases " and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. The interpretation is not expected to have any significant impact on the Group's financial statements.

Except as described above, the Directors of the Company anticipate that the application of other new and amendments to HKFRSs and Interpretations will have no material impact the results and the financial position of the Group in the foreseeable future.

3. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

During the year, the Group incurred a loss attributable to owners of the Company of HK$294,439,000 for the year ended 31 December 2017 and at the end of reporting period, the Group had net current liabilities and net liabilities of approximately HK$197,841,000 and HK$110,445,000 respectively. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group'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 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 Group obtained consent from the existing Promissory Note holder, with principal amount of approximately HK$100,500,000 (equivalent to approximately US$12,885,000) due on 12 December 2018, to extend the due date of the captioned Promissory Note for a year till 12 December 2019;

– The Group is actively considering disposal of available-for-sale investments;

– The Group has substantially expanded its media and culture business during the year with business acquisitions (details in note 18). The directors of the Company expect that income from this business segment and related film licensing income will contribute operating cash flows to the Group in the coming years;

– The Group is actively considering raising new capital by obtaining new bank 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 consolidated financial statements of the Group have been prepared on a going concern basis.

Should the aforesaid financing arrangement cannot be realised, the Group may not be able to continue in business as a going concern, adjustments would have to be made to adjust the value 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 consolidated financial statements.

The preparation of 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.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in consolidated financial statements.

Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

4. 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 in each of the Group's reportable segments:

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

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

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

Segment revenue, results, assets and liabilities

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

For the year ended 31 December 2017

	Media and culture business segment *HK$'000* *(Note 1)*	Entertainment and gaming business segment *HK$'000*	Chemical products, and energy conservation and environmental protection products segment *HK$'000*	Total *HK$'000*
Revenue – External sales	–	9,098	30,860	39,958
Segment loss	(126,743)	(17,906)	(12,416)	(157,065)
Unallocated income(expense) items:				
Central administration costs and directors' salaries *				(33,807)
Other revenue				102
Loss on change in fair value of derivative financial liabilities *(note 15)*				(29,893)
Finance costs **				(77,316)
Loss before income tax expense				(297,979)
Segment Assets	192,052	46,999	12,027	251,078
Segment Liabilities	21,068	29,172	11,789	62,029

Note 1: The Group has commenced the new business segment of media and culture during the year which is mainly involved in the business of film production in the United States.

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

** *Certain finance costs are allocated to operating segments.*

For the year ended 31 December 2016

	Entertainment and gaming business segment *HK$'000*	Chemical products, and energy conservation and environmental protection products segment *HK$'000*	Total *HK$'000*
Revenue – External sales	193,143	2,419	195,562
Segment loss	(41,337)	(4,426)	(45,763)
Unallocated income(expense) items:			
Central administration costs and directors' salaries*			(25,633)
Other revenue			348
Gain on change in fair value of derivative financial liabilities *(note 15)*			89,221
Finance costs *(note 6)*			(68,736)
Loss before taxation			(50,563)
Segment Assets	296,874	12,753	309,627
Segment Liabilities	32,564	4,909	37,473

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

Segment assets and liabilities

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

	2017	2016
	HK$'000	*HK$'000*
Assets		
Segment assets	**251,078**	309,627
Bank balances and cash **	**66,189**	59,430
Other unallocated assets	**25,165**	12,595
Consolidated assets	**342,432**	381,652
Liabilities		
Segment liabilities	**62,029**	37,473
Convertible bonds *(note 15)*	**256,562**	257,585
Derivative financial liabilities *(note 15)*	**36,153**	6,260
Borrowings	**–**	12,220
Promissory note *(note 19)*	**95,226**	–
Contingent consideration payable *(note 16)*	**1,563**	–
Other unallocated liabilities	**1,344**	3,609
Consolidated liabilities	**452,877**	317,147

** *Certain bank balances and cash are allocated to operating segments*

Other segment information

For the year ended 31 December 2017

	Media and culture business segment *HK$'000*	Entertainment and gaming business segment *HK$'000*	Chemical products, and energy conservation and environmental protection products segment *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	**68,517**	**–**	**4,904**	**177**	**73,598**
Depreciation of property, plant and equipment	**–**	**255**	**714**	**330**	**1,299**
Impairment loss on property, plant and equipment	**7**	**1,209**	**2,493**	**1,423**	**5,132**
Impairment loss on available-for-sale investments	**–**	**–**	**–**	**3,000**	**3,000**
Impairment loss on goodwill	**43,844**	**–**		**–**	**43,844**
Reversal of impairment loss on trade receivables	**–**	**–**	**(1,017)**	**–**	**(1,017)**
Impairment loss on trade and other receivables	**–**	**17,913**	**6,840**	**–**	**24,753**
Loss on change in fair value of derivative financial liabilities	**–**	**–**	**–**	**29,893**	**29,893**
Finance costs	**30**	**–**	**5**	**77,316**	**77,351**

For the year ended 31 December 2016

	Entertainment and gaming business segment *HK$'000*	Chemical products, and energy conservation and environmental protection products segment *HK$'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	14	449	5,775	6,238
Depreciation of property, plant and equipment	299	394	568	1,261
Impairment loss on property, plant and equipment	1,740	–	–	1,740
Impairment loss on trade and other receivables	99,819	1,036	–	100,855
Gain on change in fair value of derivative financial liabilities	–	–	89,221	89,221
Finance costs	–	–	68,736	68,736

Information about major customers

Revenue from major customers of the corresponding years contributing over 10% of total revenue of the Group are as follows:

	2017 HK$'000	2016 HK$'000
Customer A	**14,792**	–
Customer B	**8,635**	–
Customer C	**4,231**	–
Customer D	**1,083**	99,324
Customer E	**–**	77,351
	28,741	176,675

The revenue from Customers A, B and C for the year ended 31 December 2017 is contributed from chemical products, and energy conservation and environmental protection products segment. Revenue from Customers D and E for the year ended 31 December 2016 is contributed from gaming and entertainment business segment.

Save as disclosed above, none of the individual customers contributing over 10% of total revenue for both years.

Geographical information

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

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 assets.

	Revenue from external customers	
	2017	2016
	HK$'000	*HK$'000*
Australia	**7,272**	181,927
Kingdom of Cambodia	**1,826**	11,216
PRC	**30,860**	2,419
	39,958	195,562

	Non-current assets	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**1,106**	1,748
Australia	**8,713**	10,100
Kingdom of Cambodia	**–**	76
PRC	**1,311**	486
United States of America	**68,516**	–
	79,646	12,410

Note: Non-current assets exclude available-for-sale investments.

5. REVENUE

The Group is engaged in film production and investment, entertainment and gaming as well as trading of chemical products, and energy conservation and environmental protection products business. Revenue represents income from gaming promotion arrangement which is recognised upon share of the net gaming wins and losses, other service income from patrons in relation to provision of ancillary casino betting and travel related services and the net invoiced value of sales for the year. No income from film production and investment was generated in the year.

	2017	2016
	HK$'000	*HK$'000*
Sales of goods	**30,860**	2,419
Promotion commission	**2,827**	185,829
Rendering of services	**6,271**	7,314
	39,958	195,562

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Effective interests on borrowings wholly repayable within five years:		
Convertible bonds *(note 15)*	**76,915**	68,191
Promissory Notes *(note 19)*	**283**	–
Borrowings	**153**	545
	77,351	68,736

7. LOSS BEFORE INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Loss before income tax expense for the year is arrived at after charging/(crediting):		
Directors' remuneration	**9,534**	8,961
Other employee costs		
– Salaries and other benefits	**13,225**	19,860
– Retirement benefits scheme contribution	**464**	465
	13,689	20,325
Total employee costs	**23,223**	29,286
Auditor's remuneration	**681**	580
Depreciation of property, plant and equipment	**1,299**	1,261
Cost of sales	**29,990**	2,267
Impairment loss on goodwill	**43,844**	–
Impairment loss on available-for-sale investments	**3,000**	–
Impairment loss on property, plant and equipment	**5,132**	1,740
Impairment loss on trade and other receivables	**24,753**	100,855
Reversal of impairment loss on trade and other receivables	**(1,017)**	–
Operating expense *(note)*	**78,304**	3,938

Note: During the year ended 31 December 2017, included in operating expenses of approximately HK$78,018,000 (2016: Nil) was filming agency fee paid to Etech International, Inc, which in the opinion of directors of the Company is an independent third party, in relation to the referral and successful arrangement of 6 film directors to sign movie pictures production and development agreements with the Group.

8. INCOME TAX EXPENSE

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

	2017	2016
	HK$'000	*HK$'000*
Current tax for the year		
– Australian income tax	**–**	310
– Kingdom of Cambodia tax on profits	**–**	21
Income tax expense	**–**	331

Australian income tax has been provided at the rate of 30% (2016: 30%) on the estimated assessable profits for both years.

Under the Cambodian law on Taxation and Prakas of Tax on Profit, the standard tax rate on profit in Kingdom of Cambodia is 20% (2016: 20%) for the year.

For the years ended 31 December 2017 and 2016, no provision for Hong Kong Profits Tax has been made as the Group has no assessable income derived from Hong Kong.

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 is 25% for both years.

Under the Law of the United States Enterprise Income Tax, the tax rate of 39.8% on the estimated assessable profits is applied on the USA subsidiaries.

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share	**(294,439)**	(39,766)
Effects of dilutive potential ordinary shares:		
Gain on change in fair value of derivatives component of convertible bonds *(note 15)*	**–**	(89,221)
Interest on convertible bonds *(note 15)*	**–**	68,191
Loss for the purpose of diluted loss per share	**(294,439)**	(60,796)

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**599,077**	493,565
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**–**	222,000
Weighted average number of ordinary shares for the purpose of diluted loss per share	**599,077**	715,565

For the year ended 31 December 2017, diluted loss per share is equal to the basic loss per share as there was no diluted potential ordinary shares in issue during the year ended 31 December 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 the year then ended.

10. DIVIDENDS

No dividend has been paid or declared during each of the years ended 31 December 2017 and 2016. The Directors do not recommend the payment of a final dividend for 2017 (2016: nil).

11. GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combinations, is as follows:

	2017
	HK$'000
Cost	
Acquired through business combination *(note 18)*	98,671
At 31 December	98,671
Impairment	
Impairment loss recognised for the year	43,844
At 31 December	43,844
Net carrying amount	
At 31 December	54,827

As at 31 December 2017, goodwill represented the amount attributable to the acquisition of Starlight Legend Investment Limited and its subsidiaries ("**Starlight Legend Group**"), details of which are set out in note 18. The goodwill acquired through business combination had been allocated to cash-generating units (the "**Media CGUs**"), which is related to the media and culture reportable segment for impairment testing.

During the year ended 31 December 2017, the management of the Group determined that an impairment loss of HK$43,844,000 should be recognised in relation to goodwill in the Media CGUs (2016: nil). The recoverable amounts of the Media CGUs have been determined based on a value in use calculation. The value in use is determined by discounting the future cash flows to be generated from the film production and investment projects over the next five years, using a pre-tax discount rate of 21% (2016: nil) per annum. No projection has been extrapolated for any subsequent years beyond this 5-years cash flow forecast. The key assumptions for the value-in-use calculation were those regarding the discount rate and budgeted gross margin and revenue. The Group estimated discount rate using the rate that reflected current market assessments of the time value of money and the risks specific to the film production business. Budgeted gross margin and revenue were based on market data and expectations associated with the film production industry.

After year ended date, there is new Promissory Note arrangement, details refer to note 20 and "Event After The Reporting Period" section under Management Discussion and Analysis.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables from trading business *(notes (i), (iv))*	**6,214**	5,197
Advances to patrons *(note (ii), (v))*	**31,189**	162,835
Amounts due from casinos *(note (iii), (vi))*	**3,329**	30,753
Film project prepayment *(note (vii))*		
– Prepayment to film directors	**91,542**	–
– Prepayment to film/television series production	**13,305**	–
Other receivables		
– Loan receivable	**–**	20,330
– Prepayments	**675**	812
– Trade and other deposits paid	**7,202**	7,110
	153,456	227,037

The Group generally allows credit periods of 30 to 180 days (2016: 30 to 180 days) to its trade customers from trading business and credit period of 90 days (2016: 90 days) to its patrons from entertainment and gaming business. The Group generally does not charge interest for credit granted. The Group did not hold any collateral from the trade debtors in trading business but may require personal cheque or other acceptable forms of security from patrons. The Group has a rental deposit paid to a director's company of approximately HK$358,000 during the year.

(i) Trade debtors from trading business with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**2,642**	349
31 to 90 days	**–**	15
91 to 180 days	**68**	–
181 to 365 days	**7,669**	2,343
Over 1 year	**2,675**	3,526
	13,054	6,233
Impairment loss on trade and other receivables	**(6,840)**	(1,036)
	6,214	5,197

(ii) Advances to patrons with the following ageing analysis, based on the date of credit granted, as of the end of reporting period:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**–**	4,714
31 to 180 days	**–**	65,342
181 to 365 days	**7,342**	139,857
Over 1 year	**160,987**	67,653
	168,329	277,566
Allowance for doubtful debt	**(137,140)**	(114,731)
	31,189	162,835

(iii) Amounts due from casinos with the following ageing analysis, based on the date of credit granted, as of the end of reporting period:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**–**	30,753
31 to 90 days	**–**	–
91 to 365 days	**3,329**	–
	3,329	30,753

(iv) The ageing of trade debtors from trading business which are past due but not impaired are as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,642**	349
Past due but not impaired		
0 to 30 days past due	**68**	2,358
31 to 90 days past due	**–**	–
91 to 365 days past due	**910**	2,490
Over 1 year past due	**2,594**	–
	6,214	5,197

(v) The ageing of advances to patrons which are past due but not impaired are as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**–**	33,408
Past due but not impaired		
0 to 30 days past due	**–**	22,286
31 to 180 days past due	**716**	100,464
181 to 365 days past due	**30,473**	6,677
	31,189	162,835

(vi) The ageing of amounts due from casinos which are past due but not impaired are as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**–**	30,753
Past due but not impaired		
0 to 30 days past due	**–**	–
31 to 180 days past due	**–**	–
181 to 365 days past due	**3,329**	–
	3,329	30,753

The balance which are past due but not impaired relate to a number of customers who have a good track record with the Group during the year.

(vii) Prepayment to film directors represent advance payments to four directors for their services in the preparation of motion picture development proposal and the development cost to be incurred by them in the course of work, while prepayment to film/television series production represent the production cost incurred for one movie and one TV series projects in progress:

The below table reconciled the impairment loss of trade and other receivable for the year:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**115,767**	15,413
Impairment loss recognised	**24,753**	100,855
Reversal of impairment loss recognised	**(1,017)**	–
Exchange realignment	**4,477**	(501)
At 31 December	**143,980**	115,767

13. FILM PRODUCT

	2017
	HK$'000
Cost:	
Addition through business combination	16,855
At 31 December	16,855
Accumulated amortisation:	
Amortisation for the year	(173)
At 31 December	(173)
Net carrying amount as at year ended 31 December 2017	16,682
Classified as:	
Current portion	3,370
Non-current portion	13,312
	16,682

Amortisation charge of approximately HK$173,000 with respect to film product has been included in cost of goods sold and service provided in the consolidated statement of comprehensive income. The Group reviewed its film product regularly to reassess the estimated recoverable amounts of the film product with reference to marketability of each film and current market condition. The estimated recoverable amounts of the film product was determined based on a value-in-use calculation which uses the present value of the expected future cash flows arising from the sub-licensing and distribution of film product subsequent to the completion of film production, which was derived from discounting the projected future cash flows at a discount rate of 27%.

Key assumptions for the value-in-use calculations relate to the estimation of cash inflow/outflow which include budgeted sales and gross margin, growth rate and discount rate. Such estimation is based on market comparable data and management's expectations of the market development.

Since the recoverable amount based on the aforementioned value-in-use calculation was not less than the carrying amount, no impairment provision for the film product was made during the year ended 31 December 2017.

14. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables *(note (i))*	**3,177**	1,393
Amounts due to casinos *(note (ii))*	**2,478**	3,353
Amounts due to patrons *(note (iii))*	**1,176**	583
Other payables and accruals	**7,096**	5,490
Trade deposits received	**1,024**	4,105
Film agency fee payable	**11,721**	–
	26,672	14,924

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	–	133
31 to 90 days	–	703
91 to 365 days	2,628	–
Over 1 year	549	557
	3,177	1,393

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	–	378
31 to 90 days	–	600
91 to 365 days	2,478	2,375
	2,478	3,353

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	–	23
31 to 90 days	–	448
91 to 365 days	808	112
Over 365 days	368	–
	1,176	583

The Group has a trade deposit received from director's company with the amount of approximately HK$302,000 during the year.

15. CONVERTIBLE BONDS/DERIVATIVE FINANCIAL LIABILITIES

(i) Zero-coupon Tranche 1 Bonds due 2017

On 11 July 2014, the Company entered into a subscription agreement with a then independent investor ("**bondholder**") to issue the 3-year Zero Coupon Convertible Bonds with an aggregate principal amount of HK$55,650,000. The subscription was completed on 19 September 2014 and the Company issued the Tranche 1 Convertible Bonds. The consideration of the Tranche 1 Convertible Bonds was used to finance the establishment of the Group's entertainment and gaming business.

The Tranche 1 Convertible Bonds are denominated in Hong Kong dollars and are convertible at the option of the bondholder at any time after the date of issuance up to and including the date which is five business days prior to the maturity date of 19 September 2017, into new shares of the Company at a price of HK$0.35 per share, subject to anti-dilutive adjustments.

Upon full conversion, a total of 159,000,000 new ordinary shares would be issued by the Company. During the year ended 31 December 2017, the Tranche 1 Convertible Bonds at the principal amount of HK$55,650,000 were fully converted into ordinary shares of the Company and total number of ordinary shares converted was approximately 158,999,999 (Note 17).

The Tranche 1 Convertible Bonds contain liability and equity components. The equity component is included in the equity headed "convertible bonds reserve".

The fair value of the liability component of the convertible bonds at the issue date was valued by an independent valuer determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan. The effective interest rate of the liability component is approximately 16% per annum.

(ii) 8% coupon Tranche 2 Bonds due 2018

On 5 November 2015, the Company entered into a subscription agreement with seven independent investors ("**Subscribers**") to conditionally issue the 3 years redeemable convertible bonds of the Company in an aggregate principal amount of HK$365,000,000 at 8% coupon rate per annum. On 2 December 2015, the subscriptions were completed and convertible bonds of HK$315,000,000 were issued with maturity on 1 December 2018 (the "**Tranche 2 Convertible Bonds**") by the Company to certain Subscribers ("**Bondholders 2**"). The consideration of the Tranche 2 Convertible Bonds was used as general working capital of the Group and as funds for future development of the existing business of the Group, including development of the entertainment and gaming business in Australia and Cambodia.

The Tranche 2 Convertible Bonds are denominated in Hong Kong dollars and are convertible at the option of the Bondholders 2 at any time on or after the 90th day of the date of issuance up to and prior to the maturity date of 1 December 2018, into new shares of the Company at a price of HK$5 per share, subject to adjustment on the occurrence of dilutive or concentrative event.

Upon full conversion a total of 63,000,000 new ordinary shares would be issued by the Company. The Company shall redeem any Tranche 2 Convertible Bonds which remain outstanding on the maturity date at its principal amount together with the outstanding interest.

The Tranche 1 and Tranche 2 Convertible Bonds recognised in the consolidated statement of financial position at the date of issuance on 19 September 2014 and 2 December 2015 respectively are calculated as follows:

	Tranche 2 Convertible Bonds	**Tranche 1 Convertible Bonds**
	HK$'000	*HK$'000*
Face value of Convertible Bonds issued	315,000	55,650
Equity component on initial recognition upon issuance of Convertible Bonds	–	(20,427)
Derivative financial liabilities component on initial recognition upon issuance of Convertible Bonds	(147,720)	–
Liability component on initial recognition upon issuance of Convertible Bonds, i.e. 2 December 2015/19 September 2014	167,280	35,223

The Tranche 2 Convertible Bonds contain liability component and derivative component. The derivative component is measured at fair value on initial recognition while any excess of proceeds over the amount initially recognised as the derivative component is recognised as a financial liability. The fair value of derivative components of the convertible bonds at the issue date was valued by an independent valuer. The fair value of the derivative financial liability valued by the independent valuer is based on valuation technique whose variables include that uses only data from observable market. The effective interest rate of the liability component is approximately 31% per annum.

The carrying values of the liability component of the Tranche 1 and Tranche 2 Convertible Bonds recognised in the consolidated statement of financial position at the end of the reporting period are as follows:

Tranche 1

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**50,028**	42,954
Interest charge for the year	**2,710**	7,074
Conversion of convertible bonds*	**(52,738)**	–
At 31 December	**–**	50,028
Categorised as:		
Convertible bonds – current liabilities	**–**	50,028
Convertible bonds – non-current liabilities	**–**	–
	–	50,028

The interest charge of the Tranche 1 Convertible Bonds for the year ended 31 December 2017 is calculated using the effective interest method by applying an effective interest rate of 16% (2016:16%) to the liability component.

* *On 30 May 2017 and 8 June 2017, Convertible Bonds with amount of HK$24,266,000 and HK$28,472,000 respectively were converted to subscribe for a total of 158,999,999 ordinary shares in the Company.*

Tranche 2

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**207,557**	171,640
Interest charge for the year	**74,205**	61,117
Interest payment	**(25,200)**	(25,200)
At 31 December	**256,562**	207,557
Categorised as:		
Convertible bonds – current liabilities	**256,562**	–
Convertible bonds – non-current liabilities	**–**	207,557
	256,562	207,557

The interest charge of the Tranche 2 Convertible Bonds for the year ended 31 December 2017 is calculated using the effective interest method by applying an effective interest rate of approximately 31% (2016: 31%) to the liability component.

Derivative component (Tranche 2) – classified as current liabilities

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**6,260**	95,481
Loss/(Gain) on change in fair value of derivative financial liabilities	**29,893**	(89,221)
At 31 December	**36,153**	6,260

16. CONTINGENT CONSIDERATION PAYABLE

	2017	2016
	HK$'000	*HK$'000*
Arising from business combination	**1,563**	–
At 31 December	**1,563**	–

On 14 September 2017, the Company entered into share purchase agreement with a related party, controlled by a director and a shareholder of the Company for the acquisition of entire equity interest of Starlight Legend Group at an aggregate consideration of HK$161,015,000, details of the acquisition are set out in note 18.

According to the share purchase agreement, if the cash dividends received by the Group or its relevant subsidiaries in the course of operating those existing projects operated by the Starlight Legend Group for three years immediately following specified period pursuant to the terms of share purchase agreement have exceed the total amount of consideration share and promissory note issued plus the relevant interest according to the term of the share purchase agreement, the vendor shall be entitled to 30% of all excess mentioned above.

Agreed payment is a contingent consideration that will be realised if the acquired businesses and the existing projects achieve their respective profit target, calculated on certain predetermined basis, during the designated period of time.

The Group recognises the fair value of those contingent consideration for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired business. The fair value measurement require, among other things, significant estimation of post-acquisition performance of the acquired businesses and significant judgement on time value of money.

For details in relation to the contingent consideration payable for the acquisition of the Starlight Legend Group, please refer to the Company's Circular dated 26 October 2017.

17. SHARE CAPITAL

	Number of shares	Nominal value *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 2017	**20,000,000,000**	2,000,000
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 1 January 2017 (par value of HK$0.10 each)	**493,564,800**	49,356
Share issued upon conversion of convertible bonds *(note i)*	**158,999,999**	15,900
Share issued upon completion of acquisition of a subsidiary *(note ii)*	**21,000,000**	2,100
At 31 December 2017	**673,564,799**	67,356

Note (i) During the year ended 31 December 2017, certain convertible bonds (Tranche 1) were converted to subscribe for a total of 158,999,999 ordinary shares in the Company. HK$15,900,000 was transferred to share capital and balances of HK$36,838,000 was transferred to the share premium account. An amount of HK$20,427,000 was also transferred to share premium account from convertible bonds equity reserves upon the conversion of convertible bonds.

Note (ii) On 13 December 2017, a total of 21,000,000 ordinary share in the Company was allotted and issued for partial settlement of total consideration of the acquisition at a market price of HK$3.08 per share at the date of acquisition. HK$2,100,000 was transferred to share capital and balance of HK$62,580,000 was transferred to the share premium amount.

18. ACQUISITION OF SUBSIDIARIES

On 13 December 2017, the Group completed the acquisition of entire equity interest of Starlight Legend Group from a controlling shareholder and also a director of the Company with effect from April 2017 at an aggregate consideration of HK$161,015,000.

The fair values of net assets acquired at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	327
Film product *(note a)*	16,855
Prepayments, deposits and other receivables *(note b)*	58,637
Bank and cash balances	5,556
Other payables	(8,306)
Bank loan	(4,844)
Total identifiable net assets at provisional fair value	68,225
Non-controlling interests *(note c)*	(5,881)
Goodwill arising on acquisition *(note 11)*	98,671
Total consideration	161,015
Total consideration satisfied by:	
Ordinary shares *(note d)*	64,680
Promissory note *(note 19)*	94,772
Contingent consideration payable *(note 16)*	1,563
	161,015
Net cash outflow arising on acquisition:	
Bank and cash balances acquired	5,556
	5,556

Notes:

(a) The film product represents a motion picture held by one of the subsidiaries of the Starlight Legend Group.

(b) The amount contains prepayment to film directors and prepayment to film/television series production in course of production of entertain content including films and drama series.

(c) The amount represents the non-controlling interest in the subsidiaries of the Starlight Legend Group as at the acquisition date.

(d) The amount represent issue of 21,000,000 ordinary shares at HK$3.08 per share, which is the market value as at the date of acquisition, with a total share consideration of approximately HK$64,680,000.

The Group has appointed an independent professional valuer, to perform valuations at the date of acquisition for the purpose of accounting for the acquisition of Starlight Legend Group according to HKFRS 3.

The initial accounting for the above acquisition in the consolidated financial statements has been determined provisionally as the Group is awaiting the final result of an independent valuation in relation to property, plant and equipment, film product, prepayment, deposits and other receivables and other net assets acquired in the transaction and contingent consideration payable for the acquisition of the Starlight Legend Group. The valuation has not been completed by the date of the approval of the consolidated financial statements. Accordingly, the amounts of identifiable net assets in contingent consideration payable and goodwill as stated above may be subsequently adjusted.

The fair value of contingent consideration payable is determined provisionally using monte carlo simulation valuation method which is awaiting the final result of an independent valuation.

For further details in relation to the contingent consideration payable for the acquisition of the Starlight Legend Group, please refer to the Company's Circular dated 26 October 2017.

The goodwill arising on the acquisition is attributable to broaden the revenue base of the Group so as to enhance the overall competitive ability of the Group.

Impairment provision for goodwill of HK$43.8 million with reference to the management's estimation was made during the year ended 31 December 2017.

Since acquisition, Starlight Legend Group has no revenue and make a loss of HK$627,839 to the Group. If the acquisition of Starlight Legend Group effected during the year had been taken place at the beginning of the year, the revenue and loss of the Group would have been HK$39,958,000 and HK$330,672,000 respectively.

Acquisition-related costs amounting to HK$4.7 million have been excluded from the consideration transferred and have been recognised as an expense in profit or loss under other operating expenses.

The Group has selected to measure the non-controlling interests at their proportionate interests in the identifiable assets and liabilities of Starlight Legend Group.

19. PROMISSORY NOTE

Promissory Note – Current portion

	2017
	HK$'000
Issuance of promissory note *(note 18)*	94,772
Imputed interest	283
Exchange realignment	171
At 31 December	95,226

Note:

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 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 (defined in note 18). The promissory note is measured at amortised cost using the effective interest rate method with the effective interest rate at 6% per annum.

As at 31 December 2017, all promissory notes are carried at zero coupon rate.

After year end date, there is new arrangement for Promissory Note, details please refer to note 20 and "Event After the Reporting Period" section under Management Discussion and Analysis.

20. EVENTS AFTER THE REPORTING PERIOD

On 29 March 2018, the Vendor entered into a side letter (the "Side Letter") with the Company, pursuant to which the Vendor has irrevocably and unconditionally agreed and undertaken to the Company the following:

(i) The Vendor and the Company shall jointly appoint an independent valuer, to conduct a valuation of the Target Group as at 31 December 2018 (the "Updated Valuation"). The determination by the independent valuer shall be final and binding on the Vendor and the Company.

(ii) If the Updated Valuation is less than US$25,000,000, the Vendor 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

The Group reported a loss attributable to owners of the Company of approximately HK$294,439,000 for the year ended 31 December 2017 (2016: approximately HK$39,766,000). The loss was mainly attributable to was mainly attributable to (i) the gross loss of approximately HK$3.2 million recognized during the year of 2017 as compared to gross profit of approximately HK$77.1 million recognized in the year of 2016; (ii) the decrease in impairment losses of approximately HK$26 million; (iii) the loss on change in fair value of derivative financial liabilities of approximately HK$29.9 million recognized during the year of 2017 as compared to a gain of approximately HK$89.2 million recognized in the year of 2016 in relation to the convertible bonds issued by the Company; and (iv) an increase of approximately HK$74.4 million in the Group's operating expenses for the year ended 31 December 2017 as a result of the exploration and development of the media and culture business.

Basic loss per share for the year amounted to approximately 49.15 HK cents (2016: 8.06 HK cents). Net liability of the Group were approximately HK$110,445,000 as at 31 December 2017 as compared to net assets of approximately HK$64,505,000 as at 31 December 2016. The net liability was attributable to the loss of the Group for the year ended 31 December 2017.

SEGMENTAL ANALYSIS

Entertainment and Gaming

Affected by the junket arrangement with NagaWorld, an indirectly wholly-owned subsidiary of NagaCorp Ltd. ("**NagaCorp**") came to an end in early 2017, and under the tightened credit control over the Group's gaming promotion business, this segment recorded a significant decrease in revenue and a gross loss for the year of 2017.

For the year ended 31 December 2017, the Group generated revenue and gross loss in the amount of approximately HK$9.1 million (2016: HK$193.1 million) and HK$3.9 million (2016: gross profit of HK$76.9 million) respectively from entertainment and gaming business.

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

During the year ended 31 December 2017, 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$30.9 million (2016: HK$2,419,000), with a gross profit of HK$870,000 (2016: HK$152,000).

Media and Culture

During the year ended 31 December 2017, the Group has engaged with the following famous Hollywood film directors to tap into the business of film production and distribution.

Engagement with Mr. Felix Gary Gray

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 Mr. Felix Gary Gray ("**Mr. Gray**") on 28 June 2017 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.

Mr. Gray is an American film director, film producer, music video director and actor. In 2004, he won the "Best Director" award awarded by the American Black Film Festival and the "Outstanding Film Director" award awarded by the Black Reel Awards. He has directed a number of films such as "The Fate of the Furious (2017)", "Straight Outta Compton (2015)", "The Italian Job (2003)", "The Negotiator (1998)" and "Set It Off (1996)".

The accumulated record of worldwide box office of Mr. Gray's films amounted to approximately US$1,949.8 million.

During a term of three years, Mr. Gray will develop three theatrical motion picture projects (the "**Project(s)**") (expected to be one Project per year) for the Group's consideration and approval. If the Group approves such Project(s), the Group will further negotiate with Mr. Gray for designating such Project(s) for production and further details of the production film package which including but not limited to fully developed screenplays, detailed production budgets, tentative start dates, proposed locations, and suggested cast lists will be further discussed between the Group and Mr. Gray. Mr. Gray may participate in the production of such approved Project(s) as a director, a producer or an executive producer. Mr. Gray also agreed that he will not engage with other Chinese owned or controlled company for similar arrangement.

Engagement with Mr. Roland Emmerich

The Group has also engaged Mr. Roland Emmerich ("**Mr. Emmerich**"), an America's Hollywood film director, screenwriter and producer well-known for his disaster films, in July 2017, in relation to the development and production of motion picture projects.

Mr. Emmerich is an America's Hollywood film director, screenwriter and producer, and is widely known for his disaster films. He has directed a number of popular films such as "Independence Day: Resurgence (2016: recorded worldwide box office of approximately US$389 million*) ", "The Day After Tomorrow (2004: recorded worldwide box office of approximately US$544 million*) ", "Godzilla (1998: recorded worldwide box office of approximately US$379 million*) ", "Independence Day (1996: recorded worldwide box office of approximately US$817 million*)", "Stargate (1994: recorded worldwide box office of approximately US$196 million*) " and "The Noah's Ark Principle (1984) ". The accumulated record of worldwide box office of Mr. Emmerich's films amounted to approximately US$3,802 million*.

During a term of three years, Mr. Emmerich will develop three Projects (expected to be one Project per year) for the Group's consideration and approval. If the Group approves such Project(s), the Group will further negotiate with Mr. Emmerich for designating such Project(s) for production and further details of the production film package which including but not limited to fully developed screenplays, detailed production budgets, tentative start dates, proposed locations, and suggested cast lists will be further discussed between the Group and Mr. Emmerich. Mr. Emmerich may participate in the production of such approved Project(s) as a director, a producer or an executive producer. Mr. Emmerich also agreed that he will not engage with other Chinese owned or controlled company for similar arrangement.

Engagement with each of Mr. Bryan Singer, Mr. Robert Zemeckis, Mr. Alan Taylor and Mr. Jonathan Murray Chu

After the engagement with each of Mr. Felix Gary Gray and Mr. Roland Emmerich for the development and production of motion picture projects, the Group has then successively engaged (i) Mr. Bryan Singer ("**Mr. Singer**"), (ii) Mr. Robert Zemeckis ("**Mr. Zemeckis**"), (iii) Mr. Alan Taylor ("**Mr. Taylor**") and (iv) Mr. Jonathan Murray Chu ("**Mr. Chu**") for the development and production of motion picture projects.

Set out below is the brief biographies and cooperation details of each of Mr. Singer, Mr. Zemeckis, Mr. Taylor and Mr. Chu:

Mr. Singer is an American Hollywood film director, television series director, screenwriter and producer, being well known for action adventure films. He had directed various popular films, including "X-Men (2000: recorded worldwide box office of approximately US$296.3 million*)", "X2: X-Men United (2003: recorded worldwide box office of approximately US$407.7 million*)", "Superman Returns (2006: recorded worldwide box office of approximately US$391.1 million*)", "Valkyrie (2008: recorded worldwide box office of approximately US$200.3 million*)", "Jack the Giant Slayer (2013: recorded worldwide box office of approximately US$198 million*)", "X-Men: Days of Future Past (2014: recorded worldwide box office of approximately US$747.9 million*)" and "X-Men: Apocalypse (2016: recorded worldwide box office of approximately US$543.9 million*)". He was also one of the producers and directors of the television series "House". The accumulated record of worldwide box office of the seven aforesaid films amounted to approximately US$2,784.9 million*.

During a term of three years, Mr. Singer will develop three Projects (expected to be one Project per year) for the Group's consideration and approval. If the Group approves such Project(s), the Group will further negotiate with Mr. Singer for designating such Project(s) for production and further details of the production film package which including but not limited to fully developed screenplays, detailed production budgets, tentative shooting dates, proposed locations and suggested cast lists will be further discussed between the Group and Mr. Singer. Mr. Singer will serve as the director of the first approved Project and participate in the production of other approved Project(s) as a director or producer. Mr. Singer also agreed that he will not engage with other Chinese owned or controlled companies for similar arrangements.

Mr. Zemeckis had been awarded Oscar Best Director and received several nominations. His magnum opuses include "Forrest Gump", "Back to the Future", "Back to the Future Part II", "Who Framed Roger Rabbit", "Cast Away" and "The Polar Express". The accumulated record of worldwide box office of Mr. Zemeckis's films amounted to approximately US$4,243 million*.

During a term of three years, Mr. Zemeckis will develop six Projects (expected to be two Projects per year) for the Group's consideration and approval. If the Group approves such Project(s), the Group will further negotiate with Mr. Zemeckis for designating such Project(s) for production and further details of the production film package which including but not limited to fully developed screenplays, detailed production budgets, tentative shooting dates, proposed locations and suggested cast lists will be further discussed between the Group and Mr. Zemeckis. Mr. Zemeckis will serve as a director of all approved Project(s). Mr. Zemeckis also agreed that he will not engage with other Chinese owned or controlled companies for similar arrangements.

Mr. Taylor is a famous American director across film and television industries. His major film works include "Thor: The Dark World (2013: recorded worldwide box office of approximately US$644.6 million*)" and "Terminator Genisys (2015: recorded worldwide box office of approximately US$440.6 million*)". He had also participated in the shooting of certain popular television series as a director as follows: "The West Wing", "Six Feet Under", "Sex and the City", "Lost", "Rome", "The Sopranos", "Mad Men" and "Game of Thrones".

The accumulated record of worldwide box office of Mr. Taylor's films amounted to approximately US$1,085 million.

During a term of three years, Mr. Taylor will develop six Projects (expected to be two Projects per year) for the Group's consideration and approval. If the Group approves such Project(s), the Group will further negotiate with Mr. Taylor for designating such Project(s) for production and further details of the production film package which including but not limited to fully developed screenplays, detailed production budgets, tentative shooting dates, proposed locations and suggested cast lists will be further discussed between the Group and Mr. Taylor. Mr. Taylor will serve as the director of all approved Project(s). Mr. Taylor also agreed that he will not engage with other Chinese owned or controlled companies for similar arrangements. In addition, Mr. Taylor will provide the Company with a three-year priority adoption right for his original projects. That means during the three-year term of cooperation, Mr. Taylor's original projects or the projects of which controls over development or production owned by him and which he intends to develop will first be submitted to the Group for consideration.

Mr. Chu is a young and new prominent ethnic Chinese American film director and screenwriter. His magnum opuses include "G.I. Joe: Retaliation (2013: recorded worldwide box office of approximately US$375.7 million*)", "Now You See Me 2 (2016: recorded worldwide box office of approximately US$334.9 million*)", "Step Up 2: The streets" and "Step Up 3D", in which the return on investment of "G.I. Joe: Retaliation" was considerably high. The accumulated record of worldwide box office of Mr. Chu's films amounted to approximately US$1,128 million.

During a term of three years, Mr. Chu will develop at least three Projects (expected to be one Project per year) for the Group's consideration and approval. If the Group approves such Project(s), the Group will further negotiate with Mr. Chu for designating such Project(s) for production and further details of the production film package which including but not limited to fully developed screenplays, detailed production budgets, tentative shooting dates and suggested cast lists will be further discussed between the Group and Mr. Chu. If all the three Projects are approved, Mr. Chu will serve as the director of two of the approved Projects and participate in the production of another approved Project as a producer. Mr. Chu also agreed that he will not engage with other Chinese owned or controlled companies for similar arrangement.

Engagement with Mr. Jonathan Liebesman

The Group has also engaged Mr. Jonathan Liebesman ("**Mr. Liebesman**") for the development and production of motion picture projects.

Mr. Liebesman is a famous Hollywood film director and his magnum opuses include "Battle: Los Angeles (2011: recorded worldwide box office of approximately US$211.8 million*)", "Wrath of the Titans (2012: recorded worldwide box office of approximately US$305.3 million*)" and "Teenage Mutant Ninja Turtles (2014: recorded worldwide box office of approximately US$493.3 million*)". The accumulated record of worldwide box office of Mr. Liebesman's films amounted to approximately US$1,109.7 million*.

During a term of three years, Mr. Liebesman will develop at least six Projects (expected to be two Projects per year) for the Group's consideration and approval. If the Group approves such Project(s), the Group will further negotiate with Mr. Liebesman for designating such Project(s) for production and further details of the production film package which including but not limited to fully developed screenplays, detailed production budgets, tentative shooting dates, proposed locations and suggested cast lists will be further presented to the Group by Mr. Liebesman.

Mr. Liebesman will serve as a director of all approved Project(s). Mr. Liebesman also agreed that he will not engage with other Chinese owned or controlled companies for similar arrangements.

Marshall – Oscar's nomination for Best Original Song at the 90th Oscars' Academy Awards

In addition, as disclosed in MATERIAL ACQUISITION AND DISPOSAL of this report, the Group has acquired the entire equity interest in Starlight Legend Investment Limited during the year of 2017 (the "**Acquisition**"). The film product, namely Marshall, acquired by the Group through Acquisition received a nomination for Best Original Song at the 90th Academy Awards ("**Oscars**").

For the year ended 31 December 2017, the Group has not yet generated revenue from media and culture business.

FUTURE PLANS AND PROSPECTS

The Group has established its media and culture business through engaging with Hollywood famous film directors during 2017. The Group shall continue to explore the possibility of further extending its business into the media market to further broaden its income sources. Leveraging on Mr. Yan Xu's and Mr. Luo Lei's extensive experience in the entertainment business and under the leadership of an experienced and energetic core management team, we have full confidence we can steadily develop our businesses. At the same time, the Group will strive to improve its performance in its trading business and its entertainment and gaming business.

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

MATERIAL ACQUISITION AND DISPOSAL

During the year, the Group has acquired the entire equity interest in Starlight Legend Investment Limited. Details can be referred to the announcements of Company dated 13 December 2017 and 14 September 2017 and the circular of the Company dated 26 October 2017.

Except as disclosed above, there is no material acquisition and disposal conducted by the Group during the year that should be notified to the shareholders of the Company.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: NIL).

ASSESSMENT OF RECOVERABILITY OF THE AMOUNT OF TRADE AND OTHER RECEIVABLES

The Company had impairment loss on trade and other receivables of HK$24.7 million for year ended 31 December 2017 ("**2017 Impairment Loss**"). For financial reporting purpose, the Group was required to assess the recoverability of the amount of trade and other receivables on an individual basis at each reporting date and to provide for impairment for those trade and other receivables which were considered irrecoverable. In determining the recoverability of a trade/gaming receivable, the Group considers any change in credit quality of the receivable from the date credit was initially granted up to the end of the reporting period.

Upon assessment on an individual basis, trade receivables and advance to patrons totaling HKD6.8 million and HKD17.9 million respectively were overdue and had no indication of the likelihood of recovery, and as such 2017 Impairment Loss was then recognized.

The below table provides for the ageing of those advances impaired in the year of 2017 of HKD24.7 million.

Ageing of trade receivables impaired **As at 31 December 2017**	**Impairment amount in year of 2017** *(HKD'million)*
0 – 30 days	–
31 – 90 days	–
91 – 365 days	6.8
Over 1 year	–
Total	6.8

Ageing of the advance to patron impaired As at 31 December 2017	Impairment amount in year of 2017 *(HKD'million)*
0 – 30 days	–
31 – 180 days	–
181-365 days	0.6
Over 1 year	17.3
Total	17.9

For the year ended 31 December 2017, the impairment of advance to patrons of HKD17.9 million was attributable to the total uncollected advance to 5 patrons.

For those trade and other receivables that are impaired, the Group continues to pursue collection efforts which include periodic reminder letters, phone contact, issue of demand letters, etc. During the year, the Group has discussions with several patrons and finalized their repayment plans which would be proceeded with in the year of 2018. In addition, the Group has consulted with external legal counsel for advice on what actions can be taken against certain customers.

CAPITAL STRUCTURE

As at 31 December 2017, the Company's deficiency attributable to its owners was approximately HK$68,990,000 (equity attributable to its owners was approximately HK$108,370,000 as at 31 December 2016).

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 31 December 2017, the Group's bank balances and cash amounted to approximately HK$96,647,000 (2016: HK$133,000,000).

As at 31 December 2017, the current ratio was approximately 0.56 (2016: approximately 3.29) based on current assets of approximately HK$253,473,000 (2016: HK$360,037,000) and current liabilities of approximately HK$451,314,000 (2016: HK$109,590,000).

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 year. The Group was not exposed to material foreign exchange risk and has not employed any financial instruments for hedging purposes.

EMPLOYEES AND REMUNERATION POLICIES

The Group employed 12 (2016: 43) employees in Hong Kong and Macau as at 31 December 2017. 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 LIABILITY

On 14 September 2017, the Company entered into share purchase agreement with a related party, controlled by a director and a controlling shareholder of the Company for the acquisition of entire equity interest of Starlight Legend 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 year ended 31 December 2017, the contingent consideration payable is HK$1,563,000.

CHARGE ON ASSET

As at 31 December 2017, film product in the amount of approximately HKD16,682,000 was pledged to secure a bank borrowing of approximately HKD4,846,000. Save as disclosed above, there was no charge on asset of the Company as at 31 December 2017.

MAJOR CORPORATE EVENT

Change of Company Name

The Change of Company Name and Change of Stock Short Name: Pursuant to the special resolutions passed by the Shareholders at the special general meeting of the Company held on 30 June 2017 and as certified by the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name of the Company issued by the Registrar of Companies in Bermuda on 11 August 2017, the change of English name of the Company to "Starlight Culture Entertainment Group Limited" and the secondary name of the Company to "星光文化娛樂集團有限公司" came into effect from 6 July 2017. The Certificate of Registration of Alteration of the Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 24 August 2017, certifying the registration of the said new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from that date. With effect from 30 August 2017, the stock short name for trading in its Shares on The Stock Exchange of Hong Kong Limited has been changed to "STARLIGHT CUL" in English and to "星光文化" in Chinese.

The new name of the Company brings a fresh corporate image and more accurately reflects the Group's commitment to diversifying its business in the future. As the management team has fully participated in formulating a clear development roadmap of the Group, we expect the business diversification approach to bring new momentum and start a new chapter in the development history of the Group.

Major acquisition and connection transaction

During the year, the Group has acquired the entire equity interest in Starlight Legend Investment Limited. Details can be referred to the announcements of Company dated 13 December 2017 and 14 September 2017 and the circular of the Company dated 26 October 2017.

Save as disclosed above, there is no other major event during the year that should be notified to the shareholders of the Company.

EVENT AFTER THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 14 September 2017 and 13 December 2017 and the circular of the Company dated 26 October 2017 (the "**Circular**"), in relation to, among other things, the acquisition of the entire equity interest in Starlight Legend Investment Limited (the "**Acquisition**"). Capitalised terms used herein shall have the meanings as defined in the Circular unless the context requires otherwise.

The Promissory Note issued by the Company in favour of the Vendor dated 13 December 2017 in the principal amount of USD12,884,615.38 as part of the consideration for the Acquisition is due for payment on 12 December 2018. On 29 March 2018, the Vendor entered into a side letter (the "**Side Letter**") with the Company, pursuant to which the Vendor has irrevocably and unconditionally agreed and undertaken to the Company the following:

(i) The Vendor and the Company shall jointly appoint an independent valuer, to conduct a valuation of the Target Group as at 31 December 2018 (the "**Updated Valuation**"). The determination by the independent valuer shall be final and binding on the Vendor and the Company.

(ii) If the Updated Valuation is less than US$25,000,000, the Vendor 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 "**Waiver**").

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

The Vendor is wholly owned by Mr. Yan Xu, an executive Director, and thus is a connected person of the Company. The Waiver constitutes financial assistance provided by the Vendor to the Company. Since the Wavier is provided to the Company on normal commercial terms or better and no security will be provided over the assets of any member of the Group in relation to the Waiver, the Waiver is fully exempt from all reporting, announcement and independent shareholders' approval requirements according to Rule 14A.90 of the Listing Rules.

Reason for the Vendor entering into the Side Letter

As disclosed in notes 11 and 18 of consolidated financial statements in this annual results announcement, goodwill of HKD98,671,000 was recognized as an asset of the Company upon completion of acquisition of Target Group on 13 December 2017. An impairment loss of goodwill in the amount HKD43,844,000 was recognized and the carrying amount of goodwill as at 31 December 2017 was HKD54,827,000.

Recognition of goodwill at acquisition and goodwill impairment

Reference is made to audited consolidated statements of financial position as at 31 July 2017 of Target Group ("Pre-acquisition Accounts"), as shown in page 5 of Appendix II and in page 2 of Appendix III of the circular of the Company dated 26 October 2017, which had a film product as current asset with a book value of approximately USD12,773,000 (equivalent to approximately HK$99,629,000). This film product reflected a film, namely Marshall, which had not been released until October 2017.

Upon completion of acquisition of Target Group on 13 December 2017, the fair value of the above mentioned film product was determined to be approximately USD2,157,000 (equivalent to approximately HK$16,855,000) in a valuation conducted by an independent valuer based on the discounted future cash flow of this film product over the next five years with reference to the accumulated boxing record of this film. With the decrease in value of film product and together with other factors, the goodwill generated from the Acquisition amounted to HK$98,671,000.

As mentioned above, as at 31 December 2017, the recoverable amounts of the Target Group have been determined based on a value in use calculation by discounting future cash flows to be generated from the film production and investment projects over the next five years. Due to the possible delay or uncertainty in the production of some potential projects in the coming years, the management took a prudent approach to exclude those potential projects from the future cash flows in the calculation of value in use, and this resulted in a decrease in recoverable amount of the Target Group.

However, the Vendor is confident that those potential projects would be proceeded over the next five years although they might not be proceeded within one year and that the recoverable amounts of the Target Group should be no less than USD25,000,000, i.e. the Consideration for acquisition of Target Group. As such, the Vendor has agreed to extend the due date of the Promissory Note for one year to 12 December 2019 and has agreed to discount the principal value of the Promissory Note of an amount equivalent to the difference between the recoverable amounts of the Target Group as at 31 December 2018 and USD25,000,000, provided that the recoverable amounts of the Target Group as at 31 December 2018 is lower than USD25,000,000.

Details can also be referred to the Company's another announcement dated 29 March 2018.

There is no other major event after the reporting period that should be notified to the shareholders of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that the Company has complied with all applicable provisions of the Corporate Governance Code contained in Appendix 14 (the "**Code**") of the Listing Rules throughout the year ended 31 December 2017 except for deviations as 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 was unable to attend the Company's annual general meeting held on 30 June 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2017.

AUDIT COMMITTEE

As required by Rule 3.21 of the Listing Rules, the Company has established an Audit Committee with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process, risk management and internal control systems.

The Audit Committee has discussed with the external auditors of the Company on the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2017, and is of the opinion that the preparation of the consolidated results complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been compared by the Group's auditor, BDO Limited, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by BDO Limited in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF RESULTS AND ANNUAL REPORT

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

By Order of the Board
Starlight Culture Entertainment Group Limited
Mr. Yan Xu
Chairman

Hong Kong, 29 March 2018

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Yan Xu, 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.