

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



**STARLIGHT CULTURE
ENTERTAINMENT**

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

(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)

**CLARIFICATION ANNOUNCEMENT ON
CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Reference is made to the announcement dated 29 March 2018 on the audited consolidated results for the year ended 31 December 2017 (the “**2017 Annual Results Announcement**”), the 2017 annual report (the “**2017 Annual Report**”) and the announcement dated 29 March 2018 (the “**Update Announcement**”) of Starlight Culture Entertainment Group Limited (formerly known as Jimei International Entertainment Group Limited) (the “**Company**”).

Unless otherwise defined herein or the context otherwise requires, capitalised terms used herein shall have the same meanings as in the 2017 Annual Report and the Update Announcement.

As disclosed in the 2017 Annual Results Announcement and 2017 Annual Report, upon the completion of the acquisition of the Target Group on 13 December 2017 (the “**Acquisition**”), the Group recognised goodwill of HK\$98,671,000 as at 13 December 2017, and an impairment of goodwill of HK\$43,844,000 as of 31 December 2017 (the “**Impairment**”).

The Company wishes to provide in this announcement additional information in relation to the Impairment.

INITIAL VALUATION

As disclosed in the Company's circular ("**Circular**") dated 26 October 2017, the Target Group's valuation as at 31 July 2017 ranged from US\$23,621,000 to US\$27,166,000 (the "**Initial Valuation**") and was determined by D&P China (HK) Limited (the "**Independent Valuer**") based on (i) a market approach with reference to price-to-book ratio of 18 comparable companies and (ii) an asset based approach with reference to the consolidated net asset value (including the film product, namely "**Marshall**") and costs already expensed on book as profit and loss of the Target Group.

It was originally expected that the goodwill recognised from the Acquisition would be approximately HK\$142,580,000 as disclosed on page III-4 in unaudited pro forma financial information of the Enlarged Group (as defined in the Circular) set out in Appendix III to the Circular. On page III-6 of the Circular, it was disclosed that "Since the fair values of the consideration and the assets and liabilities of the Target Group at the actual completion date may be substantially different from the fair values used in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identifiable net assets (including intangible assets) and goodwill to be recognised in connection with the Acquisition may be different from the amounts presented here and the differences may be significant."

COMPLETION VALUATION

Subsequent to completion of the Acquisition, the Company engaged the Independent Valuer to provide service to the Company to assess the Target Group's valuation upon completion as at 13 December 2017 (the "**Completion Valuation**").

The Completion Valuation, which was prepared for the purposes of serving as a basis for allocation of the purchase price to various accounts for financial reporting purposes in accordance with HKFRS 3 (Revised) *Business Combinations* comprised the valuation of the fair value of "Marshall" on its estimated future cash flows (as Marshall was released on 13 October 2017), the fair values of "Empress", "Mass Extinction" and "High Caliber" on an asset based approach with reference to their book values, as well as the fair values of the purchase consideration, the Agreed Payment and other balance sheet items of the Target Group.

The Completion Valuation has been finalised by the Independent Valuer and was determined to be US\$22.0 million (equivalent to approximately HK\$171.7 million). Goodwill in the amount of HK\$98,671,000 was recognised based on the Completion Valuation.

YEAR-END VALUATION

Subsequent to the year ended 31 December 2017, the Company engaged the Independent Valuer to provide service to the Company to assess the Target Group's valuation as at 31 December 2017 (the "**Year-end Valuation**").

The Year-end Valuation, which was prepared for the purpose of impairment testing in accordance with HKAS 36 *Impairment of Assets*, comprised the valuation of the Target Group's existing and potential projects on their estimated future cash flows or net asset values (as the case may be) assessed individually.

The Year-end Valuation has been finalised by the Independent Valuer and was determined to be US\$16.4 million (equivalent to approximately HK\$127.9 million). With the valuation of the fair values of "Marshall", "Empress" and two other projects on their estimated future cash flows, and valuation of the fair values of "Mass Extinction" (in which the Group is in discussions with the director about the timing and priority of the production) and "High Caliber" (in which the Group was in further discussions with the relevant PRC government authority on its production) based on their net asset values under a prudent approach, the Year-end Valuation was HK\$43,844,000 less than the Completion Valuation, and hence the Impairment was made.

FURTHER INFORMATION RELATING TO THE ACQUISITION

As disclosed in the Update Announcement, the Vendor agreed with the Company to enter into the Side Letter, details of which were disclosed in the Update Announcement, whereby, among other things, if the valuation of the Target Group as at 31 December 2018 is less than US\$25,000,000 (equivalent to approximately HKD195,000,000), i.e. the Consideration, the Vendor irrevocably, unconditionally, and absolutely agreed 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.

Before entering into the Acquisition, the Company conducted due diligence review on the business, financial and legal aspects of the Target Group and took into consideration the business valuation report on the Target Group prepared by the Independent Valuer (as set out in Appendix IV to the Circular, which valuation was determined based on, among other things, the costs already capitalised on the balance sheet and expensed on book as profit and loss of the Target Group). As disclosed in the Circular, completion of the Acquisition was conditional upon completion of satisfactory legal, financial and business due diligence in respect of the Target Group by the Company.

The then Independent Board Committee, comprising all independent non-executive Directors, also took into consideration the advice of the Independent Financial Adviser, Altus Capital Limited, whose letter containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder was set out on pages 35 to 69 of the Circular. In particular, the Independent Financial Adviser: (a) was of the view that: (i) the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as Independent Shareholders are concerned; and (ii) although the Acquisition is not in the ordinary and usual course of business of the Company, it is in the interests of the Company and the Shareholders as a whole; and (b) recommended the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution in relation to the Agreement and the transactions contemplated thereunder. Furthermore, the Company was not aware of nor being informed of any material changes or deterioration in the condition of the Target Group prior to completion of the Acquisition.

By order of the Board

Starlight Culture Entertainment Group Limited

Mr. Yan Xu

Chairman

Hong Kong, 4 May 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.