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**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)

**UPDATE ON MAJOR AND CONNECTED TRANSACTION IN
RELATION TO ACQUISITION OF
THE ENTIRE EQUITY INTEREST IN
STARLIGHT LEGEND INVESTMENT LIMITED**

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.

SIDE LETTER

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 Company confirms that it has sufficient financial resources to satisfy its payment obligations under the terms of the Agreement.

The Board confirms that the entering into the Side Letter, including extension of payment due date of the Promissory Note, does not have any material adverse impact on the Company.

REASON FOR THE VENDOR ENTERING INTO THE SIDE LETTER

As disclosed in the Company’s 2017 annual result announcement dated 29 March 2018 (“**2017 Annual Results**”), goodwill of HKD98,671,000 was recognized as an asset of the Company upon completion of Acquisition 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. Details are set out in the sub-section “**Recognition of goodwill at acquisition and goodwill impairment**” below as well as Notes 11 and 18 of the 2017 Annual Results.

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 on page 5 of Appendix II and on page 2 of Appendix III of the Circular, 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 the Acquisition 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 decreased 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 have been determined based on value-in-use calculation with reference to the discounted 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 year, 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.

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 should be no less than US\$25,000,000, i.e. the Consideration for the Acquisition. 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 waive and forgo an amount equivalent to the difference between the Updated Valuation and US\$25,000,000, provided that the Updated Valuation is lower than US\$25,000,000.

LISTING RULES IMPLICATION

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 Waiver 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.

Shareholders and potential investors should exercise caution when dealing in the Shares.

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.