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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND RESUMPTION OF TRADING

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 2018, together with the corresponding comparative figures for the year ended 31 December 2017 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

		2018	2017
	Notes	***HK$'000***	*HK$'000*
REVENUE	*5*	**73,485**	39,958
Cost of sales		**(35,503)**	(43,161)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2018** **HK$'000**	2017 HK$'000
Gross profit/(loss)		**37,982**	(3,203)
Other income and gains	*5*	**23,631**	12,578
Selling and distribution expenses		**(8,148)**	(78,304)
Administrative expenses		**(53,909)**	(46,094)
Impairment loss on available-for-sale investments		**–**	(3,000)
Impairment loss on property, plant and equipment		**(707)**	(5,132)
Impairment losses/(reversal of impairment losses) on financial and contract assets, net		**1,827**	(23,736)
Impairment loss on goodwill		**(54,827)**	(43,844)
Impairment loss on film prepayments		**(1,921)**	–
Impairment loss on film investments		**(10,356)**	–
Impairment loss on film product		**(17,018)**	–
Change in fair value of financial assets at fair value through profit or loss		**(797)**	–
Change in fair value of derivative financial liabilities		**36,153**	(29,893)
Change in fair value of a promissory note		**91,431**	–
Change in fair value of contingent consideration payable		**1,563**	–
Finance costs	*7*	**(99,700)**	(77,351)
Other expenses		**(722)**	–
LOSS BEFORE TAX	*6*	**(55,518)**	(297,979)
Income tax expense	*8*	**–**	–
LOSS FOR THE YEAR		**(55,518)**	(297,979)
Attributable to:			
Owners of the parent		**(49,606)**	(294,439)
Non-controlling interests		**(5,912)**	(3,540)
		(55,518)	(297,979)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2018** **HK$'000**	2017 HK$'000
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic			
– For loss for the year		**HK(7.36) cents**	HK(49.15) cents
Diluted			
– For loss for the year		**HK(7.36) cents**	HK(49.15) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
LOSS FOR THE YEAR	**(55,518)**	(297,979)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**–**	1,108
Reclassification adjustments for gains included in the consolidated statement of profit or loss – impairment losses	**–**	2,000
	–	3,108
Exchange differences:		
Exchange differences on translation of foreign operations	**(877)**	(3,381)
Reclassification adjustments for a foreign operation disposed of during the year	**2,194**	–
	1,317	(3,381)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
	HK$'000	*HK$'000*
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**1,317**	(273)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**1,317**	(273)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(54,201)**	(298,252)
Attributable to:		
Owners of the parent	**(48,300)**	(294,778)
Non-controlling interests	**(5,901)**	(3,474)
	(54,201)	(298,252)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,322**	11,187
Club debenture		**320**	320
Available-for-sale investments		**–**	9,313
Film product	*14*	**–**	13,312
Goodwill	*11*	**–**	54,827
Total non-current assets		**10,642**	88,959
CURRENT ASSETS			
Trade receivables	*12*	**698**	6,214
Prepayments, other receivables and other assets		**248,181**	147,242
Contract assets		**54,850**	–
Film investments	*13*	**105,175**	–
Film product	*14*	**–**	3,370
Cash and cash equivalents		**26,907**	96,647
Total current assets		**435,811**	253,473
CURRENT LIABILITIES			
Trade payables	*15*	**3,219**	3,177
Other payables and accruals		**26,077**	23,495
Contract liabilities		**1,290**	–
Amounts due to non-controlling shareholders of subsidiaries		**20,900**	22,985
Interest-bearing bank and other borrowings	*16*	**158,687**	12,799
Promissory note	*17*	**17,000**	95,226
Derivative financial liabilities	*18*	**–**	36,153
Convertible bonds	*18*	**266,821**	256,562
Tax payable		**826**	917
Total current liabilities		**494,820**	451,314

	Notes	**2018**	2017
		HK$'000	*HK$'000*
NET CURRENT LIABILITIES		**(59,009)**	(197,841)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(48,367)**	(108,882)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*16*	**113,433**	–
Contingent consideration payable		**–**	1,563
Other payables		**1,552**	–
Total non-current liabilities		**114,985**	1,563
Net liabilities		**(163,352)**	(110,445)
DEFICIENCY IN ASSETS			
Equity attributable to owners of the parent			
Share capital	*19*	**67,356**	67,356
Reserves		**(184,646)**	(136,346)
		(117,290)	(68,990)
Non-controlling interests		**(46,062)**	(41,455)
Total deficiency in assets		**(163,352)**	(110,445)

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Group was involved in the following principally activities:

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

The Company's parent is CICFH Investment Management Company Limited and the directors of the Company (the "Directors") consider that its ultimate holding company is Guotou Zhonglian Investment Management (Beijing) Company Limited* ("Guotou") and the ultimate controlling shareholder is Mr. Xu Peng, with effect from September 2018. Guotou is incorporated in the People's Republic of China.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments, derivative financial instruments, promissory note and contingent consideration payable which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

* *For identification purpose only*

Going concern assumption

During the year ended 31 December 2018, the Group incurred a net loss of HK$55,518,000, and had net cash outflows used in operating activities of HK$277,025,000. As at 31 December 2018, the Group had net current liabilities and net deficit of approximately HK$59,009,000 and HK$163,352,000, respectively.

In view of these circumstances, the Directors 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. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(a) As 31 December 2018, the Group's borrowings with total amount of HK$130.9 million could be renewed to remediate the situation of working capital shortage. The Group management undertook necessary measures and signed the extension agreements with the lenders regarding HK$130.9 million borrowings in April 2019 to extend the due date to December 2020.

(b) The management has budgeted and laid out its business plan for the next twelve months and seeks to obtain profits and net cash inflow from the movies and TV series the Group invested.

(c) The Group has proposed to sell certain film prepayments to third parties, to ensure the business has sufficient working capital. In 2019, 10% of the film prepayments has been sold to Mengzhimeng (Beijing) Film and Television Cultural Communication Ltd. and total funds of approximately HK$23.5 million has been obtained by the Group as at the date of the financial statements. The remaining film prepayments may also be sold in future.

(d) The Group actively explores the availability of alternative source of financing. The Group has obtained new long-term borrowings of HK$11.4 million in February 2019. In April 2019, the Group issued bonds with conditional conversion rights of HK$180.0 million which may be converted into 72 million shares at an exercise price of HK$2.5 and is matured in 2022. In addition, the Group has the intention to issue additional shares to new investors in 2019.

(e) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position.

(f) The Group has received HK$365.4 million from the Controlling Shareholder in late April 2019 as a long-term borrowing which is matured in 2022. The Controlling Shareholder of the Group will continue to provide financial support to the Group.

The Directors of the Company are of the view that the above measures would bring sufficient cash to ensure that the Group will continue as a going concern.

The Directors of the Company have reviewed the Group's cash flow forecast prepared by the management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors of the Company believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2018 on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement					HKFRS 9 measurement	
	Notes	Category	Amount	Re-classification	ECL	Other	Amount	Category
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Financial assets								
Available-for-sale investments		AFS[1]	9,313	(9,313)	–	–	–	
To: Financial assets at fair value through profit or loss	*(i)*		–	(9,313)	–	–	–	
Trade receivables	*(ii)*	L&R[2]	6,214	–	–	–	6,214	AC[3]
Financial assets included in prepayments, other receivables and other assets		L&R	10,531	–	–	–	10,531	AC
Cash and cash equivalents		L&R	96,647	–	–	–	96,647	AC
Financial assets at fair value through profit or loss		FVPL[4]	–	9,313	–	–	9,313	FVPL
From: Available-for-sale investments	*(i)*			9,313	–	–	–	
Total assets			122,705	–	–	–	122,705	

[1] *AFS: Available-for-sale investments*

[2] *L&R: Loans and receivables*

[3] *AC: Financial assets or financial liabilities at amortised cost*

[4] *FVPL: Financial assets and liabilities at fair value through profit or loss*

Notes:

(i) The Group has classified its listed investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(ii) There were no changes to the classification and measurement of financial liabilities upon adoption of HKFRS 9 on 1 January 2018.

Impact on reserves and accumulated losses

The impact of transition to HKFRS 9 on reserves and accumulated losses is as follows:

	Reserves and accumulated losses
	HK$'000
Fair value reserve under HKFRS 9 (Investment revaluation reserve under HKAS 39)	
Balance as at 31 December 2017 under HKAS 39	1,804
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	(1,804)
Balance as at 1 January 2018 under HKFRS 9	–
Accumulated losses	
Balance as at 31 December 2017 under HKAS 39	(330,360)
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	1,804
Balance as at 1 January 2018 under HKFRS 9	(328,556)

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

As a result of the application of HKFRS15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of accumulated losses as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

The impact of adoption of HKFRS 15 is described below:

(i) Consideration received from customers in advance

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$1,024,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, HK$1,290,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of chemical products, and energy conservation and environmental protection products.

(ii) Revenue from film investments

A contract asset is an entity’s right to consideration in exchange for goods and services that the entity have transferred to a customer. The earned consideration that is conditional on completion of film exhibition and release to all distribution sources is recorded as a contract assets.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in trade receivables of HK$54,850,000 and an increase in contract assets of HK$54,850,000.

The adoption of HKFRS 15 has had no significant impact on the opening accumulated losses as at 1 January 2018.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements:

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

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

2 *Effective for annual periods beginning on or after 1 January 2020*

3 *Effective for annual periods beginning on or after 1 January 2021*

4 *No mandatory effective date yet determined but available for adoption*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 16 replaces HKAS 17 *Leases* HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK$7,670,000 and lease liabilities of HK$7,929,000 will be recognised at 1 January 2019 with a corresponding adjustment to the opening balance of retained earnings.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) Media and culture business segment, which engages in investment, production and distribution of entertainment content such as films and drama series; and

(b) Entertainment and gaming business segment, which engages in receiving commission and services income from casino entertainment and gaming promotion services; and

(c) Chemical products, and energy conservation and environmental protection products segment, which engages in trading of chemical products, and energy conservation and environmental protection products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, finance cost, change in fair value of derivative financial liabilities as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2018

	Media and culture business *HK$'000*	Entertainment and gaming business *HK$'000*	Chemical products, and energy conservation and environmental protection products *HK$'000*	Total *HK$'000*
Segment revenue *(note 5)*				
Sales to external customers	**55,404**	**394**	**17,687**	**73,485**
Segment results	**(70,148)**	**1,140**	**(5,151)**	**(74,159)**
Reconciliation:				
Corporate and other unallocated gains				**12,146**
Interest Income				**24**
Corporate and other unallocated expense				**(22,979)**
Finance costs				**(99,700)**
Change in fair value of derivative financial liabilities				**36,153**
Change in fair value of promissory note				**91,431**
Change in fair value of contingent consideration payable				**1,566**
Loss before tax				**(55,518)**
Segment Assets	**404,035**	**11,065**	**4,012**	**419,112**
Reconciliation:				
Corporate and other unallocated assets				**27,341**
Total assets				**446,453**
Segment liabilities	**11,616**	**25,462**	**4,951**	**42,029**
Reconciliation:				
Corporate and other unallocated liabilities				**567,776**
Total liabilities				**609,805**

Year ended 31 December 2018 (Continued)

	Media and culture business	Entertainment and gaming business	Chemical products, and energy conservation and environmental protection products	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information					
Depreciation and amortisation	**18,782**	**601**	**209**	**46**	**19,638**
Gain on derecognition of a promissory note measured at amortised cost	**–**	**–**	**–**	**(5,377)**	**(5,377)**
Loss on disposal of subsidiaries	**–**	**–**	**–**	**722**	**722**
Change in fair value of derivative financial liabilities	**–**	**–**	**–**	**(36,153)**	**(36,153)**
Impairment losses/ (reversal of impairment loss) on financial and contract assets, net	**1,142**	**(3,184)**	**215**	**–**	**(1,827)**
Impairment loss on film prepayments	**1,921**	**–**	**–**	**–**	**1,921**
Impairment loss on property, plant and equipment	**–**	**262**	**445**	**–**	**707**
Impairment loss on goodwill	**54,827**	**–**	**–**	**–**	**54,827**
Impairment loss on film investments	**10,356**	**–**	**–**	**–**	**10,356**
Impairment loss on film product	**17,018**	**–**	**–**	**–**	**17,018**
Change in fair value of financial assets at fair value through profit or loss	**–**	**–**	**–**	**797**	**797**
Change in fair value of a promissory note	**–**	**–**	**–**	**(91,431)**	**(91,431)**
Change in fair value of contingent consideration payable	**–**	**–**	**–**	**1,563**	**1,563**
Finance cost	**–**	**–**	**–**	**99,700**	**99,700**
Capital expenditure	**75,463**	**622**	**–**	**6**	**76,091**

Year ended 31 December 2017

	Media and culture business HK$'000	Entertainment and gaming business HK$'000	Chemical products, and energy conservation and environmental protection products HK$'000	Total HK$'000
Segment revenue				
Sales to external customers	–	9,098	30,860	39,958
Segment results	(126,743)	(17,906)	(12,416)	(157,065)
Reconciliation:				
Dividend income and unallocated gains				713
Interest income				33
Corporate and other unallocated expense				(34,416)
Finance costs				(77,351)
Change in fair value of derivative financial liabilities				(29,893)
Loss before tax				(297,979)
Segment Assets	192,052	46,999	12,027	251,078
Reconciliation:				
Corporate and other unallocated assets				91,354
Total assets				342,432
Segment liabilities	21,068	29,172	11,789	62,029
Reconciliation:				
Corporate and other unallocated liabilities				390,848
Total liabilities				452,877

Year ended 31 December 2017 (Continued)

	Media and culture business *HK$'000*	Entertainment and gaming business *HK$'000*	Chemical products, and energy conservation and environmental protection products *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Other segment information					
Additions to non-current assets	68,517	–	4,904	177	73,598
Depreciation and amortisation	173	255	714	330	1,472
Impairment loss on trade and other receivables	–	17,913	6,840	(1,017)	23,736
Impairment loss on property, plant and equipment	7	1,209	2,493	1,423	5,132
Impairment loss on goodwill	43,844	–	–	–	43,844
Impairment loss on available-for-sale investments	–	–	–	3,000	3,000
Change in fair value of derivative financial liabilities	–	–	–	29,893	29,893
Finance cost	30	–	5	77,316	77,351

Geographical information

(a) Revenue from external customers

	Revenue from external customers	
	2018	2017
	HK$'000	*HK$'000*
Australia	**318**	7,272
United States of America	**55,404**	–
Panama	**76**	–
Kingdom of Cambodia	**–**	1,826
PRC	**17,687**	30,860
	73,485	39,958

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

(b) Non-current assets

	Non-current assets	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**1,202**	10,419
Australia	**8,503**	8,713
Kingdom of Cambodia	**–**	–
PRC	**937**	1,311
United States of America	**–**	68,516
	10,642	88,959

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue from major customers contributing over 10% of total revenue of the Group is set out below:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**55,404**	–
Customer B	**14,110**	14,792
Customer C	**–**	8,635
Customer D	**–**	4,231
	69,514	27,658

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Revenue from film investments	55,404	–
Sales of goods	17,687	30,860
Promotion commission	76	2,827
Rendering of services	318	6,271
	73,485	39,958

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	**Media and culture business**	**Entertainment and gaming business**	**Chemical products, and energy conservation and environmental protection products**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Type of goods or services				
Revenue from film investments	**55,404**	**–**	**–**	**55,404**
Sales of goods	**–**	**–**	**17,687**	**17,687**
Promotion commission	**–**	**76**	**–**	**76**
Rendering of services	**–**	**318**	**–**	**318**
Total revenue from contracts with customers	**55,404**	**394**	**17,687**	**73,485**

Segments	Media and culture business	Entertainment and gaming business	Chemical products, and energy conservation and environmental protection products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Geographical markets				
Australia	–	318	–	318
United States of America	55,404	–	–	55,404
Panama	–	76	–	76
PRC	–	–	17,687	17,687
Total revenue from contracts with customers	55,404	394	17,687	73,485

For the year ended 31 December 2018

Segments	Media and culture business	Entertainment and gaming business	Chemical products, and energy conservation and environmental protection products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Timing of revenue recognition				
At a point in time	55,404	394	17,687	73,485

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

	Media and culture business *HK$'000*	Entertainment and gaming business *HK$'000*	Chemical products, and energy conservation and environmental protection products *HK$'000*	Total *HK$'000*
Revenue from contracts with customers				
External customers	55,404	394	17,687	73,485

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018 *HK$'000*
Sales of goods	1,024

	2018	2017
	HK$'000	*HK$'000*
Other income		
Tax rebate	**10,439**	–
Bank interest income	**24**	33
Interest income from loans receivable	**–**	308
Dividend income	**–**	330
Others	**282**	75
	10,745	746
Gains		
Foreign exchange gains	**552**	11,832
Compensation from litigation	**6,957**	–
Gain on derecognition of a promissory note measured at amortised cost	**5,377**	–
	12,886	11,832
	23,631	12,578

6. LOSS BEFORE TAX

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

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Cost of sales		**35,503**	43,161
Amortisation of film investments*		**18,241**	–
Amortisation of film product*		**–**	173
Depreciation of property, plant and equipment		**1,397**	1,299
Auditor's remuneration		**810**	681
Employee benefit expense (excluding directors' and chief executive's remuneration)			
Wages and salaries		**10,480**	13,225
Pension scheme contributions		**664**	464
		11,144	13,689

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Impairment loss on available-for-sale investments		**–**	3,000
Impairment losses on trade receivables		**164**	5,228
Impairment loss on film prepayment		**1,921**	–
Impairment losses/(reversal of impairment losses) on financial assets included in prepayments, other receivables and other assets		**(2,545)**	(18,508)
Impairment loss on contract assets		**554**	–
Impairment loss on film investments		**10,356**	–
Impairment loss on film product	*14*	**17,018**	–
Impairment loss on property, plant and equipment		**707**	5,132
Change in fair value of financial assets at fair value through profit or loss		**797**	–
Change in fair value of derivative financial liabilities		**(36,153)**	29,893
Impairment loss on goodwill		**54,827**	43,844
Gain on derecognition of a promissory note measured at amortised cost		**(5,377)**	–
Change in fair value of promissory note		**(91,431)**	–
Change in fair value of contingent consideration payable		**(1,563)**	–
Loss on disposal of subsidiaries		**722**	–

* The amortisation of film investments and film product are included in "Cost of Sales" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest on bank and other borrowings (including convertible bonds)	**98,332**	77,068
Interest expense on promissory note	**1,368**	283
	99,700	77,351

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax was made as the Group did not generate any assessable profits in Hong Kong during the year ended 31 December 2018 (2017: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**–**	–
Overprovision in prior years	**–**	–
Current – Elsewhere	**–**	–
Deferred	**–**	–
Total tax charge for the year	**–**	–

9. DIVIDENDS

No dividend has been paid or declared during each of the years ended 31 December 2018 and 2017. The directors do not recommend the payment of any dividend for 2018 (2017: nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 673,564,799 (2017: 599,077,128) in issue during the year.

The calculations of the basic loss per share are based on:

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**(49,606)**	(294,439)

	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**673,564,799**	599,077,128

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

11. GOODWILL

	HK$'000
At 1 January 2017:	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Cost at 1 January 2017, net of accumulated impairment	–
Acquired through business combination	98,671
Impairment during the year	(43,844)
At 31 December 2017	54,827
At 31 December 2017:	
Cost	98,671
Accumulated impairment	(43,844)
Net carrying amount	54,827
Cost at 1 January 2018, net of accumulated impairment	54,827
Impairment during the year	(54,827)
Cost and net carrying amount at 31 December 2018	–
At 31 December 2018:	
Cost	98,671
Accumulated impairment	(98,671)
Net carrying amount	–

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Media and culture cash generating unit

  The recoverable amount of the media and culture cash generating unit ("Media and Culture CGU") has 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 seven years, using an average pre-tax discount rates of 22% (2017: 27%) approved by the management. No projection has been extrapolated for any subsequent years beyond the 7-year cash flow forecast.

  Since the recoverable amount based on the value in use calculation was less than the carrying amount, impairment provision of HK$54,827,000 (2017: HK$43,844,000) for goodwill was made during the year ended 31 December 2018.

12. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**7,331**	13,054
Impairment	**(6,633)**	(6,840)
	698	6,214

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group generally allows credit periods of 30 to 180 days (2017: 30 to 180 days) to its trade customers of the trading business. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. 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 ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice dates and net of loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**–**	2,642
1 to 3 months	**34**	–
Over 3 months	**664**	3,572
	698	6,214

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	**6,840**	1,036
Impairment losses	**164**	5,228
Exchange realignment	**(371)**	576
At end of year	**6,633**	6,840

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	1%	10%	50%	100%	
Gross carrying amount *(HK$'000)*	705	–	–	6,626	7,331
Expected credit losses *(HK$'000)*	7	–	–	6,626	6,633

Impairment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017
	HK$'000
Neither past due nor impaired	2,642
Less than 1 year past due	978
Over 1 year past due	2,594
	6,214

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

13. FILM INVESTMENTS

	2018	2017
	HK$'000	*HK$'000*
Cost:		
At 1 January	**–**	–
Additions	**133,772**	–
At 31 December	**133,772**	–
Accumulated amortisation and impairment:		
Amortisation during the year	**(18,241)**	–
Impairment during the year	**(10,356)**	–
	(28,597)	–
Net carrying amount:		
At 31 December	**105,175**	–

The Group reviews its film investments regularly to assess if there is any indicator of impairment and the related recoverable amount with reference to marketability of each film and current market conditions. The recoverable amount of film investments were determined on a title-by-title basis and is based on a value in use calculation which uses the present value of the expected future cash flows arising from the pre-determined share of proceeds of the respective films which was derived from discounting the projected future cash flows at a discount rate of 18%, 22% and 25% for different films due to different development stage.

Since the recoverable amount based on the value in use calculation was less than the carrying amount, impairment provision of HK$10,356,000 (2017: Nil) for the film investments was made during the year ended 31 December 2018.

14. FILM PRODUCT

	2018	2017
	HK$'000	*HK$'000*
Cost:		
At 1 January	**16,855**	–
Addition through business combination	**–**	16,855
Exchange realignment	**336**	–
At 31 December	**17,191**	16,855
Accumulated amortisation and impairment:		
At 1 January	**(173)**	–
Amortisation during the year	**–**	(173)
Impairment during the year	**(17,018)**	–
At 31 December	**(17,191)**	(173)
Net carrying amount:		
At 31 December	**–**	16,682
Classified as:		
Current portion	**–**	3,370
Non-current portion	**–**	13,312
	–	16,682

The Group reviews its film product regularly to reassess the estimated recoverable amount of the film product with reference to marketability of each film and current market conditions. The recoverable amount of the film product was determined on a title-by-title basis and is based on a value in use calculation which uses the present value of the expected future cash flows arising from the licensing and distribution of the film product after the completion of film production, which was derived from discounting the projected future cash flows at a discount rate of 27% (2017: 27%).

The Group assessed that there were impairment indicators because the actual performance of the film after the release fail to meet which had been expected. Since the recoverable amount based on the aforementioned value in use calculation was less than the carrying amount, impairment loss of HK$17,018,000 (2017: Nil) for the film product was made during the year ended 31 December 2018.

15. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
1 to 3 months	**21**	–
3 to 12 months	**316**	2,628
Over 1 year	**2,882**	549
	3,219	3,177

The trade and bills payables are unsecured, interest-free and normally settled base on the terms of the contract. The fair values of trade and bills payables as at the end of the reporting period approximated to their corresponding carrying amounts due to their relatively short maturity terms.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate *(%)*	**Maturity**	***HK$'000***	Effective interest rate *(%)*	Maturity	*HK$'000*
Current						
Borrowings – unsecured *(note b)*	**8%**	**2019**	**130,947**	2-15%	2018	7,953
Bank loans – secured *(note a)*			**–**	4%	2018	4,846
Film investment loan	**6%**	**2019**	**27,740**			–
			158,687			12,799
Convertible bonds	**31%**	**2019**	**266,821**	31%	2019	256,562
			425,508			269,361
Non-current						
Film investment loans	**4%-11.25%**	**2020-2021**	**113,433**			–
			538,941			269,361

	2018	2017
	HK$'000	*HK$'000*
Analysed into:		
Bank loans:		
Within one year or on demand	**–**	4,846
	–	4,846
Other borrowings repayable:		
Within one year	**158,687**	7,953
In the second year	**63,389**	–
In the third to fifth years, inclusive	**50,044**	–
	272,120	7,953
	272,120	12,799

Notes:

(a) The bank loan of HK$4,846,078 at 31 December 2017 was repayable on 19 May 2018 and secured by film product as set out in note 16. Interest was charged at 4% per annum.

(b) The interest-bearing loans of HK$5,999,000 at 31 December 2017 were repayable on 19 March 2018, and interest was charged at 2.4%. The interest-bearing loans of HK$1,953,525 at 31 December 2017 were repayable on 31 December 2018 and interest was charged at 8% per annum.

17. PROMISSORY NOTE

The carrying value of the promissory note measured at amortised cost is as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**95,226**	–
Imputed interest	**1,368**	283
Recognition of a promissory note measured at fair value *(note a)*	**(91,431)**	–
Gain on derecognition of a promissory note measured at amortised cost	**(5,377)**	–
Issuance of a promissory note *(note b)*	**17,000**	94,772
Exchange realignment	**214**	171
At 31 December	**17,000**	95,226

The carrying value of the promissory note measured at fair value is as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**–**	–
Recognition of a promissory note measured at fair value (note a)	**91,431**	–
Gain on change in fair value of a promissory note	**(91,431)**	–
At 31 December	**–**	–
	17,000	95,226

Notes:

(a) On 13 December 2017, the Company issued a promissory note with a principal amount of US$12,884,615 (equivalent to HK$100,500,000), as part of the consideration for the acquisition of entire equity interests in the Starlight Legend Group. The promissory note was unsecured, interest-free and with a maturity date of 12 December 2018. As at 31 December 2017, the promissory note was measured at amortised cost using the effective interest rate method with the effective interest rate at 6% per annum.

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

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

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

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

The repayment amount of the promissory note is then contingent based on the valuation of the Starlight Legend Group as of 31 December 2018. Therefore, the promissory note was changed from financial liabilities at amortised cost to a hybrid instrument which contains an embedded derivative and the promissory note was measured at fair value.

As at 31 December 2018, the Group and the promissory note holder involved an independent valuer to conduct a valuation of Starlight Legend Group as at 31 December 2018. Based on the valuation results, a gain of HK$91,431,000 on change in fair value of the promissory note was recognised.

(b) On 28 December 2018, the Group issued a promissory note with a principal amount of HK$17,000,000 with a 10% per annum interest rate as part of consideration for the redemption of convertible bonds (note 18). The promissory note is unsecured and with a maturity date of 28 January 2019.

18. CONVERTIBLE BONDS

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 “Convertible Bonds”) by the Company to certain Subscribers (“Bondholders”). The consideration of the 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 Convertible Bonds are denominated in Hong Kong dollars and are convertible at the option of the Bondholders 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 a 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 Convertible Bonds which remain outstanding on the maturity date at its principal amount together with the outstanding interest.

The Convertible Bonds recognised in the consolidated statement of financial position at the date of issuance on 2 December 2015 are calculated as follows:

	Convertible Bonds *HK$'000*
Nominal value of the Convertible Bonds issued	315,000
Equity component on initial recognition upon issuance of Convertible Bonds	–
Derivative component on initial recognition upon issuance of Convertible Bonds	(147,720)
Liability component at the issuance date	167,280

The Convertible Bonds contain a liability component and a 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 Convertible Bonds recognised in the consolidated statement of financial position at the end of the reporting period are as follows:

Convertible Bonds

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**256,562**	207,557
Interest expense	**85,544**	74,205
Interest paid	**(15,285)**	(25,200)
Redemption during the year	**(60,000)**	–
At 31 December	**266,821**	256,562
Categorised as:		
Convertible bonds – current liabilities	**266,821**	256,562
	266,821	256,562

The interest charge of the Convertible Bonds for the year ended 31 December 2018 is calculated using the effective interest method by applying an effective interest rate of approximately 31% (2017: 31%) to the liability component.

A summary of movements in the derivative component of the Convertible Bonds is as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**36,153**	6,260
Change in fair value of derivative financial liabilities	**(36,153)**	29,893
At 31 December	**–**	36,153

19. SHARE CAPITAL

Shares

	2018	2017
	HK$'000	*HK$'000*
Issued and fully paid:		
Ordinary shares of HK$0.1 each	**673,564,799**	673,564,799

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
		HK$'000
At 1 January 2017	**493,564,800**	49,356
Shares issued upon conversion of convertible bonds *(note a)*	**158,999,999**	15,900
Shares issued upon completion of acquisition of a subsidiary *(note b)*	**21,000,000**	2,100
At 31 December 2017, 1 January 2018 and 31 December 2018	**673,564,799**	67,356

Notes:

(a) 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 balance 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 reserves upon the conversion of convertible bonds.

(b) On 13 December 2017, a total of 21,000,000 ordinary shares in the Company were 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 a balance of HK$62,580,000 was transferred to the share premium amount.

20. EVENTS AFTER THE REPORTING PERIOD

On 26 April 2019, the Company entered in to several subscription agreements with three subscribers, pursuant to which each of the subscribers has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue the bonds with conditional conversion rights. The aggregate principal amount of the bonds is HK$180.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Further 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") relating to, among other things, the acquisition of the entire equity interest in Starlight Legend Investment Limited (the "Acquisition") and the update announcement of the Company dated 29 March 2018 (the "Update Announcement") relating to, among other things, the Side Letter. Capitalised terms used herein shall have the meanings as defined in the Circular and the Update Announcement unless the context requires otherwise.

As disclosed in the Update Announcement, the Vendor entered into the Side Letter with the Company on 29 March 2018, pursuant to which the Vendor irrevocably and unconditionally agreed and undertook to the Company the following:

(i) The Vendor and the Company shall jointly appoint an independent valuer, to conduct the Updated Valuation (i.e. a valuation of the Target Group as at 31 December 2018). 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 the Waiver (i.e. 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.

On 9 April 2019, a valuation report was delivered by the independent valuer jointly appointed by the Company and the Vendor for the purpose of the Side Letter, which states that the value of the Target Group as at 31 December 2018 was US$7,500,000, being the Updated Valuation for the purpose of the Side Letter. As such and pursuant to the Side Letter, the amount of the principal amount of the Promissory Note to be waived and forgone by the Vendor shall be US$17,500,000, being US$25,000,000 minus US$7,500,000. Given that the principal amount of the Promissory Note is US$12,884,615.38, the principal amount of the Promissory Note shall be reduced from US$12,884,615.38 to US$0. Further, as no interest is payable on the principal amount of the Promissory Note, the Company shall have no further obligation whatsoever to the Vendor under the Promissory Note with effect from 9 April 2019.

The Company recognized: (a) a gain on fair value change in the amount of approximately HK$91.4 million attributable to the reduction in the principal amount of the Promissory Note pursuant to the Waiver; and (b) a loss on impairment of goodwill in the amount of approximately HK$54.8 million attributable to the reduction in the value of the Target Group as at 31 December 2018 taking into account the Updated Valuation.

ISSUE OF BONDS UNDER GENERAL MANDATE

On 26 April 2019, the Company and each of the three subscribers (who are independent third parties to the Company) entered into the subscription agreements ("Subscription Agreements"), pursuant to which each of the subscribers has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue the unsecured redeemable bonds ("Bonds") with conditional conversion rights in an aggregate principal amount of HK$180,000,000 ("CB Proceeds"),

On 28 April 2019, the CB Proceeds was received by the Company and the CB Proceeds net of related expenses was utilized to repay part of the short-term liabilities of the Company.

The details of the Bonds and the CB Proceeds can be referred to the Company's announcement dated 28 April 2019.

EXTRACT OF THE AUDITORS' REPORT

The following is an extract of the independent auditor's report on the Group's annual financial statements for the year ended 31 December 2018:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which indicate that the Group incurred a net loss of HK$55,518,000 during the year ended 31 December 2018, and at the end of the reporting period, the Group had net current liabilities and net liabilities of approximately HK$59,009,000 and HK$163,352,000 respectively. As stated in note 2.1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

BUSINESS AND OPERATIONAL REVIEW

The Group reported a loss attributable to owners of the Company of approximately HK$49,606,000 for the year ended 31 December 2018 (2017: approximately HK$294,439,000). The decrease in loss was mainly attributable to (i) the gain on change in fair value of derivative financial liabilities of approximately HK$36 million recognized during the year of 2018 as compared to a loss of approximately HK$30 million recognized in the year of 2017 in relation to the convertible bonds issued by the Company; (ii) the gain on change in fair value of a promissory note of HK$91,431,000; (iii) the overall decrease in operating expenses, administrative expenses and finance costs of approximately HK$40 million; and (iv) the gross profit of approximately HK$38 million recognized during the year of 2018 as compared to gross loss of approximately HK$3 million recognized in the year of 2017.

Basic loss per share for the year amounted to approximately 7.36 HK cents (2017: 49.15 HK cents). Net liability of the Group were approximately HK$163,352,000 (2017: HK$110,445,000). The net liability was attributable to the loss of the Group for the year ended 31 December 2018.

SEGMENTAL ANALYSIS

Media and Culture

During the year ended 31 December 2018, the Group has continued to develop its media and culture business. The Group's revenue amounted to HK$55.4 million (2017: HK$NIL), with a gross profit of HK$37.2 million (2017: HK$NIL).

Up to 31 December 2018, the Group has the following investment in movies and TV series, as well as projects incubating by directors.

Investment in Movies and TV Series

The movie "Marshall", which was obtained by the Group through acquisition, is internationally distributed by Sony Pictures Worldwide Acquisitions Inc., and distributed by Open Road Films, LLC in North America. The movie is produced by Paula Wagner, an experienced Hollywood producer, and starring Chadwick Boseman, the leading actor of "Black Panther", and Sterling K. Brown, an Emmy Award winner and the leading actor of "This Is Us". The movie was nominated for Oscar Best Original Song (theme song: Stand Up For Something) and received Top Ten Films of African American Film Critics Association Awards, Audience Choice Award of Chicago International Film Festival, Annual Song Award of Hollywood Film Awards, Best Original Song Award of Annual Satellite Awards as well as 18 other internationally renowned awards nominations. The Group arranged the investment in the epic drama film "Midway", directed by the well-known director Roland Emmerich (who has entered into an agreement with the Group), produced by Mark Gordon and starring Woody Harrelson, Mandy Moore and Luke Evans. It started principal photography in 2018 and is expected to be released in 2019. In terms of distribution, Summit Entertainment, LLC is responsible for the U.S., Bona Film Group is responsible for the Greater China area and Accelerate Global Content, LLC is responsible for overseas sales. The Deadline Magazine has provided extensive coverage in this regard and the commentary described the movie as "one of the biggest movies on-sale at Cannes". To date, excluding the Greater China area, overseas sales figure has exceeded US$27 million. The movie is also the first World War II film of Roland Emmerich. It is adapted from the true stories of the Battle of Midway and tells rarely known stories of war heroes. The total budget is approximately US$100 million.

The movie “Crazy Rich Asians”, which is invested and released by Warner Bros. Pictures, co-invested by the Group and directed by director Jon M. Chu (who has entered into an agreement with the Group), is released in August 2018. The film is adapted from a best-selling novel written by Kevin Kwan under the same title, which has a solid reader base. The movie stars Constance Wu, Henry Golding, Michelle Yeoh, and etc. The highly anticipated movie is the first major film that is not a period piece in Hollywood in two and a half decades to feature an all ethnically Asian cast. It will also subvert cultural stereotype. Since the trailer was rolled out, it has been viewed by tens of millions of times. As the first adapted work of the novel series, there is also expectation for it to develop into commercially successful film series where the stories of the two sequels mainly take place in China.

The thriller/crime film “The Widow”, which is directed by Neil Jordan who won the Academy Award for Best Original Screenplay and starring French actress Isabelle Huppert who has been nominated for the Academy Award for Best Actress, is now in post-production. Currently, international sales of the movie are undertaken by veteran sales agency Sierra/Affinity. To date, international sales is anticipated to be US$6 million. The movie is expected to premiere at the Toronto International Film Festival in September 2018 and is released in March 2019.

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

Projects Incubating by Directors

With the commitment in further diversifying and enhancing the entertainment business of the Group so as to broaden the income sources, the Group has engaged 11 film directors, namely James Wan, Roland Emmerich, Jon M. Chu, Bryan Singer, Robert Zemeckis, Alan Taylor, Jonathan Liebesman, F. Gary Gray, Sylvester Stallone, Nattawut Poonpiriya and Sam Raimi in relation to the development and production of motion picture projects, which enable the Group to tap into the business of film production and distribution. Reference may be made to the Company’s announcement dated 22 July 2018 for details of the profile of some of the film directors and the projects under development.

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

During the year ended 31 December 2018, the revenue generated from the Group's trading of chemical products, and energy conservation and environmental protection products business amounted to HK$17.7 million (2017: HK$30.9 million), with a gross profit of HK$530,000 (2017: HK$870,000).

Entertainment and Gaming

For the year ended 31 December 2018, under the tightened credit control policy of the Group, the revenue generated from the Group's entertainment and gaming business amounted to HK$394,000 (2017: HK$9.1 million), with a gross profit of HK$290,000 (2017: gross loss of HK$3.9 million).

FUTURE PLANS AND PROSPECTS

The Group continued to develop its media and culture business and started to record revenue from this business during 2018. With the leadership of an experienced and energetic core management team, we have full confidence we can steadily develop our business. The Group will also 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 disposed the entire equity interest in Jimei Entertainment Overseas Development Limited and Sino Green Energy International Co., Limited. Details can be referred to the announcement of Company dated 17 December 2018.

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 2018.

CAPITAL STRUCTURE

As at 31 December 2018, the Company's deficiency attributable to its owners was approximately HK$117,290,000 (2017: HK$68,990,000).

LIQUIDITY AND FINANCIAL RESOURCES

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

Prudent financial management and selective investment criteria have enabled the Group to maintain a stable financial position. As at 31 December 2018, the Group's bank balances and cash amounted to approximately HK$26,907,000 (2017: HK$96,647,000).

As at 31 December 2018, the current ratio was approximately 0.88 (2017: approximately 0.56) based on current assets of approximately HK$435,811,000 (2017: HK$253,473,000) and current liabilities of approximately HK$494,820,000 (2017: HK$451,314,000).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Most of the Group's assets, liabilities and business transactions are denominated in Hong Kong dollars, Renminbi, Australian dollars and U.S. dollars which have been relatively stable during the 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 35 (2017: 57) employees as at 31 December 2018. 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 Investment Limited and its subsidiaries. According to the share purchase agreement, agreed payment is a contingent consideration that will be realised if the acquired business and the existing projects achieve their respective profit target, calculated on certain predetermined basis, during the designated period of time. For the year ended 31 December 2018, the contingent consideration payable is nil (2017: HK$1,563,000).

Save as disclosed above, the Group had no significant contingent liability as at 31 December 2018.

MAJOR CORPORATE EVENT

Side Letter regarding a Major acquisition and connected transaction

Reference is made to the Company's 2017 annual report's section "Event After The Reporting Period", and details can also be referred to the Company's announcement – UPDATE ON MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN STARLIGHT LEGEND INVESTMENT LIMITED dated 29 March 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.

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

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period has been disclosed in note 20 to financial statements of pages 44 of this announcement.

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

THE IMPAIRMENT LOSS ON GOODWILL OF HK$54,800,000 ("IMPAIRMENT") AND THE INDEPENDENT VALUATION OF STARLIGHT LEGEND INVESTMENT LIMITED ("TARGET GROUP") AS AT 31 DECEMBER 2018

In accordance with the Group's accounting policies and HKAS 36 Impairment of Assets, a cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually, by comparing its amount with its recoverable amount, and whenever there is an indication that the CGU may be impaired.

The Company engaged an international accounting firm ("Independent Valuer"), to provide service to the Company to assess the Target Group's valuation ("2018 Valuation") as at 31 December 2018. The 2018 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 table below sets out the valuation method, the details of the value of inputs used and assumptions for the 2018 Valuation used for performing the assessment of the Impairment as well as those used in the valuation of the Target Group as at 31 December 2017 ("2017 Valuation") for reference:

The valuation method of the 2018 Valuation and 2017 Valuation was adopted to comply with the Group's accounting policies and HKAS 36 Impairment of Assets.

Date of valuation	**31 December 2018**		**31 December 2017**	
Valuation methodology	Income approach – discounted cash flow method (for A) and excess net asset/liability value (for B)		Income approach – discounted cash flow method (for A) and excess net asset/liability value (for B)	
Subject	Target Group (i.e. Starlight Legend Investment Limited and its subsidiaries)		Target Group (i.e. Starlight Legend Investment Limited and its subsidiaries)	
Projection period *(Note 1)*	2019 to 2025		2018 to 2022	
Present value of future cash flows (A) *(Note 2)*	**Projects**	**Present value of future cash flows**	**Projects**	**Present value of future cash flows**
	Crazy Rich Asians	US$9,758,000	Crazy Rich Asians	Combined
	Greta	US$630,000	Greta	Combined
	Empress	US$1,161,000	Empress	Combined
			Marshall	Combined
	Total	**US$11,549,000**	**Total**	**US$10,343,000**
Excess net assets (liabilities) (B) *(Note 3)*		(US$4,031,000)		US$6,400,000
Valuation amount (A+B) (rounded)		US$7,500,000		US$16,400,000
Discount rate *(Note 4)*	18% – 25%		27%	

Summary of major assumptions for (A)	• Only those movies/TV projects which are concretely committed by the Target Group or after post production stage are considered in the projection. Therefore, revenue was estimated based on the actual/expected total box office amount for three movie/TV projects namely: Empress, Greta (The Widow), and Crazy Rich Asians, whilst Mass Extinction was not included. Marshall was not included in the project as it was expected to have no future cash inflow to the Company. China Death Squad would not be produced in future and was impaired.	• Only those movies/TV projects which are concretely committed by the Target Group or after post production stage are considered in the projection. Therefore, revenue was estimated based on the actual/expected total box office amount for four movie/TV projects namely: Marshall, Empress, Greta (The Widow), and Crazy Rich Asians, whilst Mass Extinction and China Death Squad were not included.
	• Total box office revenue was adopted or forecasted by the management with reference to the historical box office revenue to production cost ratio of similar project types available from public resources such as IMDb, etc. In general, contracted movie distributors usually recognize and pays back the movie production company by periodical instalment based on the box office income. Expected box office revenue was netted with movie distribution fee as well as shared portion with theatres to arrive at net revenue.	• Total box office revenue was adopted or forecasted by the management with reference to the historical box office revenue to production cost ratio of similar project types available from public resources such as IMDb, etc. In general, contracted movie distributors usually recognize and pays back the movie production company by periodical instalment based on the box office income. Expected box office revenue was netted with movie distribution fee as well as shared portion with theatres to arrive at net revenue.

• Operating expenses includes sales and marketing expense and general administrative expenses. Budgeted by the management, with possible increase in traveling frequency, employee headcount, consultancy fee, inflation, etc., operating expenses in 2019 for all projects was estimated to be approximately USD 2.7 million. As operating expenses was allocated to projects in future forecasted period and it was assumed that the number of on-going projects directly relates to the amount of operating expenses, the operating expenses was estimated to increase 2.5% year-on-year but would drop when the number of on-going projects drops in the forecasted period.	• Operating expenses includes sales and marketing expense and general administrative expenses. Budgeted by the management, with possible increase in traveling frequency, employee headcount, consultancy fee, inflation, etc., operating expenses in 2018 was estimated to be approximately USD 6 million. Operating expenses in future forecasted period was estimated to encounter 10% year-on-year increment.
• Working capital requirement for the movie/TV projects was estimated based on the change in advance receipt and change in inventory/receivables derived from the management's forecasted cashflow.	• Working capital requirement for the movie/TV projects was estimated based on the change in advance receipt and change in inventory/receivables derived from the management's forecasted cashflow.
• Standard income tax rate of 21% in the United States was applied in the calculation.	• Standard income tax rate of 21% in the United States was applied in the calculation.
• The financial projections were prepared by the management with due care and consideration reflecting the reasonable estimate of future relevant events.	• The financial projections were prepared by the management with due care and consideration reflecting the reasonable estimate of future relevant events.
• There will be no major changes in the existing political, legal, fiscal and economic conditions in countries in which the Company will carry on its business.	• There will be no major changes in the existing political, legal, fiscal and economic conditions in countries in which the Company will carry on its business.

	• There will be no major changes in the current taxation law in countries in which the Company operates. • Future exchange rates and interest rates will not differ materially from those prevailing market expectations. • The availability of finance will not be a constraint on the future growth of the Company's operation. • The Company will retain and have competent management, key personnel, and technical staff to support its ongoing operation. • Industry trends and market conditions for related industries will not deviate significantly from economic forecast.	• There will be no major changes in the current taxation law in countries in which the Company operates. • Future exchange rates and interest rates will not differ materially from those prevailing market expectations. • The availability of finance will not be a constraint on the future growth of the Company's operation. • The Company will retain and have competent management, key personnel, and technical staff to support its ongoing operation. • Industry trends and market conditions for related industries will not deviate significantly from economic forecast.
Further details of excess assets/liabilities *(Note 3)*	Excess Assets – These mainly include certain early development costs of remote movie project (projects Mass Extinction), pre-investment payments to a contracted film director and cash. Excess Liabilities – These mainly include certain debts and non-operating net liabilities.	These mainly include certain early development costs of remote movie projects (projects Mass Extinction and China Death Squad) and pre-investment payments to a contracted film director.

Notes:

1. In 2017 Valuation, there was a cut-off at the end of 5th year of the forecast period.

   In 2018 Valuation, there was no such cut-off and hence 2018 Valuation covered a period of 7 years during which the projects were estimated to recognise revenue for the Target Group.

2. In 2017 Valuation, since the discount rate for all projects was the same, there was no assignment of operating expenses and the net income of all projects was aggregated and its present value was arrived at after discounted by one discount rate.

   In 2018 Valuation, the Independent Valuer adopted different discount rates for the three projects which were in different stages, and as such operating expenses were assigned to each project and a present value of each project was arrived at after discounting by their respective discount rates.

3. In 2017 Valuation, certain debts and liabilities were included in working capital of the projects and were finally reflected in the present value of future cash flows.

   In 2018 Valuation, certain debts and liabilities were reflected in the excess net assets/liabilities.

4. In 2017 Valuation, a blended discount rate of 27% was used for all projects by valuer.

   In 2018 Valuation, discount rates of 18-25% were used for the three projects as the Independent Valuer considered that the three projects were in different stages and had different risk profiles as at 31 December 2018.

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 2018 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 and one non-executive director were unable to attend the Company's annual general meeting held on 29 June 2018.

Code Provision E.1.2

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

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 2018.

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 2018, 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 ERNST & YOUNG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Ernst & Young 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 2018, 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.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 28 March 2019 pending the release of this annual results announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 2 May 2019.

By Order of the Board
Starlight Culture Entertainment Group Limited
Mr. Gao Qun
Chairman

Hong Kong, 30 April 2019

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