



INTERIM REPORT



星美文旅

SMI Culture & Travel Group Holdings Limited

星美文化旅遊集團控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 2366)

BOARD OF DIRECTORS

Executive Directors

Mr. WU Chien-Chiang (*Chairman*)
Ms. YAO Qinyi
Mr. LI Kai

Independent Non-executive Directors

Mr. RAO Yong
Mr. LIU Xianbo
Mr. ZHAO Xuebo

BOARD COMMITTEES

Audit Committee

Mr. RAO Yong (*Chairman*)
Mr. LIU Xianbo
Mr. ZHAO Xuebo

Remuneration Committee

Mr. RAO Yong (*Chairman*)
Mr. LIU Xianbo
Mr. ZHAO Xuebo

Nomination Committee

Mr. LIU Xianbo (*Chairman*)
Mr. RAO Yong
Mr. ZHAO Xuebo

AUTHORISED REPRESENTATIVES

Ms. YAO Qinyi
Mr. LI Kai

COMPANY SECRETARY

Mr. YUEN Kwok Kuen
(resigned on 30 July 2019)
Mr. LUK Chi Shing
(appointed on 30 July 2019)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite A1, 9th Floor, One Capital Place
No. 18 Luard Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Wing Lung Bank Limited
DBS Bank (HK) Limited

LEGAL ADVISERS

As to Hong Kong Law
Loong & Yeung

As to Bermuda Law
Conyers Dill & Pearman

As to PRC Law
Duan & Duan

STOCK CODE

2366

WEBSITE

<http://www.smiculture2366.com>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the investment in the production and distribution of films, investment in the production and distribution of television dramas and creation, production and distribution of new media contents, production and distribution of online and film advertisements, agency operation for films, directors, scriptwriters and artists, tourism and online ticketing platform operation.

In the first half of 2019 (the “Period”), the Chinese film and television market underwent an adjustment phase. According to the statistics of National Film Bureau, as at 30 June 2019, box office revenue of the country in the first half of the year was RMB31.1 billion, representing a year-on-year decrease of 2.80%. The total number of people watching movies was about 806 million, representing a decrease of 10.44% over the same period last year. A total of 242 films were released while domestic films accounted for 50.6% of total box office revenue. There were 42 films with box office revenue over RMB100 million, including 17 domestic films.

The Group’s business development benefited from the prosperity of the Chinese film and television market during the past years. In the first half of 2019, the Group continued to focus on film and television investment. The performance of the Group’s main business is expected to continue to develop.

The investment of the 48-episode TV series “Forging Knife 2” is expected to be broadcasted this year. The Group’s film and television investment business comes to fruition.

During the Period, in light of the strong consumption market in Mainland China, the Group also actively expanded business in the cultural tourism industry which is favored by the state government, contemplated tourism projects and seek investment targets conducive to the Group’s future growth. Moreover, as to the cultural and entertainment industry, the Group actively expands online ticketing services, including ticket sales for movies, concerts and travels. The business performance has steadily advanced. As a result, the Group’s market share in Mainland China has gradually increased and its overall profitability and prospects have further improved.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the six months ended 30 June 2019, the turnover of the Group was approximately HK\$44.3 million (2018: HK\$80.4 million). Loss for the Period was approximately HK\$47.6 million (2018: profit HK\$2 million), administrative expenses were approximately HK\$7.7 million (2018: HK\$15.4 million), impairment loss for intangible assets was nil (2018: approximately HK\$0.6 million), impairment loss for film rights investments was nil (2018: approximately HK\$0.4 million), gain on fair value change of the embedded derivatives was nil (2018: approximately HK\$10.4 million), provision for inventories was nil (2018: approximately HK\$1.9 million), finance costs was approximately HK\$40.6 million (2018: HK\$35.3 million) and income tax expense was approximately HK\$1.6 million (2018: HK\$1.7 million).

Liquidity and Financial Resources

During the Period, the Group has consistently managed its liquidity and financial resources in a prudent manner in order to meet the liabilities falling due and the loan covenants as stipulated by its creditors. As at 30 June 2019, the Group's cash level stood at approximately HK\$0.2 million (31 December 2018: HK\$1.7 million). The balances are mainly denominated in Hong Kong Dollar and Renminbi. As at 30 June 2019, the Group had working capital (calculated as current assets less current liabilities) of approximately HK\$144.7 million (31 December 2018: HK\$184.8 million) and the current ratio (calculated as current assets over current liabilities) decreased to 1.1 against that of 1.2 as at 31 December 2018.

Gearing ratio (expressed as a percentage of the Group's total borrowings net of pledged deposits over total equity) was approximately 261.0% (31 December 2018: 213.7%).

Contingent Liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities.

Borrowings Structure

As at 30 June 2019, total borrowings of the Group amounted to approximately HK\$562,839,000 (31 December 2018: HK\$562,798,000). As at 30 June 2019, details of the Group's loan notes, convertible loan notes and debentures are set out in note 15 to these unaudited condensed consolidated interim financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS



Mortgages and Charges

As at 30 June 2019, the Group had no significant mortgages and charges.

Exposure to Foreign Exchange Risk

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in either Hong Kong Dollar or Renminbi. However, the management monitors closely the exposures and will consider hedging the exposures should the need arises.

Events after the Reporting Period

No important events affecting the Company occurred since 30 June 2019 and up to the date of this announcement.

Employees and Remuneration Policies

As at 30 June 2019, the Group had a total staff of 21 (31 December 2018: 23) employees. Employees are remunerated based on their performance, experience and the prevailing industry practices, with compensation policies and packages being reviewed on a regular basis. Bonus payments are discretionary and determined according to the Group's performance and the performance of the individual employees. The Group also provides employee benefits including retirement schemes, medical and dental insurance and share option scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Outlook

Since the beginning of this year, new policies of reform and opening of Mainland China have been introduced very frequently, thereby significantly driving the sustainable and high-quality development of the economy. The cultural and entertainment industry will continue to grow. At the same time, competition will intensify and the Group's development path will be full of challenges.

Looking ahead to the future, the management will, on one hand, continue to leverage the advantages of industry resources, actively develop high-quality film and television projects, increase investment and produce attractive films and programmes to achieve good business performance for the Group and, on the other hand, under the development blueprint, the Group will continue to expand the revenue sources of IP development, online ticketing services and tourism, enhance the Group's brand value and improve its strength in resource integration and operation.

The management considers that the potential of cultural entertainment and tourism consumption in the domestic market will continue to be substantial in the future. It believes that given the rich resources and the Group's proven management ability, future business performance and competitiveness are poised for further growth, thereby generating considerable investment returns to shareholders of the Company.

Corporate Governance Practices

During the Period, the Company had complied with the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the following deviation:

Code provision E.1.2 of the CG Code requires the chairman of the board to invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Due to other business commitments, the chairmen and members of the audit, remuneration and nomination committees of the Company could not attend the annual general meeting of the Company held in June 2019.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors (“Directors”) of the Company. The Company, having made specific enquiry, confirms that all Directors complied throughout the Period with the Model Code. The relevant employees who, because of their office in the Company, are likely to be in possession of inside information, have been requested to comply with the provisions of the Model Code.

GENERAL INFORMATION

Interim Dividend

The board (“Board”) of directors of the Company does not declare an interim dividend for the Period (2018: nil).

Share Option Scheme

The existing share option scheme of the Company (the “share option scheme”) which complies with Chapter 17 of the Listing Rules was adopted pursuant to the ordinary resolution passed by the shareholders at the annual general meeting held on 6 June 2014.

Pursuant to the share option scheme the Directors may, at their discretion, invite any full time or part time employees and Directors, consultants and advisers of the Group (subject to the eligibility requirements as set out therein) to take up options which entitle them to subscribe for shares representing up to a maximum in nominal value of 30% of the issued share capital of the Company from time to time. The total number of shares available for issue under the share option scheme and other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the date of adoption of the share option scheme unless further shareholders’ approval has been obtained. The total number of shares to be issued upon exercise of the options to be granted (including both exercised and outstanding options) in any 12 months’ period up to the date of grant to a substantial shareholder or an independent non-executive Director or their associates would not exceed 0.1% of the shares in issue or an aggregate value of HK\$5,000,000 unless further shareholders’ approval has been obtained; and to each other eligible person would not exceed 1% of the shares in issue. The purpose of the share option scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part time), Directors, consultants and advisers of the Group and to promote the success of the business of the Group. The share option scheme shall be valid and effective for a period of ten years from 6 June 2014 (the “Scheme Period”). The exercise price of options shall be determined by the Board and shall not be less than the highest of the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the options and the average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of offer and the nominal value of a share of the Company. An option may be exercised at any time during a period being not more than ten years from the date of grant and expiring at the close of business on the last day of such period but subject to the provisions of early termination hereof. There is no specific minimum period under the share option scheme for which an option must be held or the performance target which must be achieved before an option can be exercised.

GENERAL INFORMATION

During the six months ended 30 June 2019, no options were outstanding, granted, exercised, cancelled or lapsed under the share option scheme since its adoption.

Changes of Directors' Information Under Rule 13.51B(1) of the Listing Rules

As at the date of this interim report, the Company is not aware of any change in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2019, none of the Directors or chief executives of the Company had interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and as known to the Company.

Discloseable Interests and Short Positions of Shareholders Under the SFO

As at 30 June 2019, the interests and short positions of those persons (other than a Director or chief executive of the Company disclosed above) holding 5% or more in the shares and underlying shares of the Company which (i) have been notified to the Company and recorded in the register required to be kept under Section 336 of the SFO; and (ii) informed the Company by the respective shareholders were as follows:

Long Position in shares and underlying shares of the Company

Name of substantial shareholders	Capacity	Number of shares interested	Approximate percentage of total issued shares as at 30 June 2019
SMI Investment (HK) Limited (Note 1)	Beneficial owner	829,185,517	63.01%

GENERAL INFORMATION

Note 1: SMI Investment (HK) Limited is wholly-owned by SMI Holdings Group Limited (“SMI Holdings”). SMI Holdings is owned directly or indirectly as to approximately 69.15% by Mr. Qin Hui himself. Accordingly, each of Mr. Qin Hui and SMI Holdings is deemed to be interested in those shares held by SMI Investment (HK) Limited under the SFO.

Save as disclosed above, as at 30 June 2019, the Directors are not aware of any other persons who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of the Company’s Listed Securities

The Company has not redeemed any of its listed securities during the Period. Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s listed securities during the Period.

Review of Interim Results

The audit committee of the Company has reviewed the interim financial results for the Period before it was tabled for the Board’s review and approval and are of the opinion that such interim financial information complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

By order of the Board
SMI Culture & Travel Group Holdings Limited
Yao Qinyi
Executive Director

Hong Kong, 30 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 (Unaudited) HK\$'000	Six months ended 30 June 2018 (Unaudited) HK\$'000
Revenue	3	44,331	80,407
Cost of sales		(36,937)	(24,139)
Gross profit		7,394	56,268
Other income	4(a)	1	4
Other expense	4(b)	(1,805)	(4,082)
Impairment losses recognized for the following items:			
– Intangible assets		–	(560)
– Film rights investments	12	–	(406)
Credit losses recognized for the following items:			
– trade and other receivables		(2,405)	–
Provision of inventories	11	–	(1,859)
Fair value change of the embedded derivatives		–	10,391
Selling expenses		(913)	(5,305)
Administrative expenses		(7,689)	(15,439)
Finance costs	5(a)	(40,588)	(35,308)
(Loss)/profit before taxation	5	(46,005)	3,704
Income tax expenses	6	(1,567)	(1,719)
(Loss)/profit for the Period		(47,572)	1,985

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019

Note	Six months ended 30 June 2019 (Unaudited) HK\$'000	Six months ended 30 June 2018 (Unaudited) HK\$'000
Other comprehensive income/(expenses)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	1,556	(1,495)
Total comprehensive (expenses)/income for the Period	(46,016)	490
(Loss)/profit for the Period attributable to:		
Owners of the Company	(47,572)	1,987
Non-controlling interests	-	(2)
	(47,572)	1,985
Total comprehensive (expenses)/income attributable to:		
Owners of the Company	(46,016)	492
Non-controlling interests	-	(2)
	(46,016)	490
Loss per share (HK cents)		
- basic	(3.6)	(0.2)
- diluted	(3.6)	(0.2)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019

	Note	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		82	837
Goodwill	9	–	–
Intangible assets	10	82,980	88,113
		83,062	88,950
Current assets			
Inventories	11	185,909	185,909
Film rights investments	12	529,769	561,540
Trade and other receivables	13	364,645	331,747
Amount due from a shareholder	16	56,088	56,289
Amount due from a related party	16	28,976	27,836
Cash and cash equivalents		202	1,717
		1,165,589	1,165,038
Current liabilities			
Trade and other payables	14	271,414	236,520
Amounts due to directors	16	2,208	2,208
Amounts due to fellow subsidiaries	16	23,538	19,350
Tax provisions		163,731	162,175
Loan notes	15	450,000	450,000
Convertible loan notes	15	110,000	110,000
		1,020,891	980,253
Net current assets		144,698	184,785
Total assets less current liabilities		227,760	273,735

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019

	Note	At 30 June 2019 (Unaudited) HK\$'000	At 31 December 2018 (Audited) HK\$'000
Non-current liabilities			
Debentures	15	2,839	2,798
Deferred tax liabilities		9,300	9,300
		12,139	12,098
Net assets		215,621	261,637
Capital and reserves			
Share capital		13,160	13,160
Other reserves		204,130	250,146
Equity attributable to owners of the Company		217,290	263,306
Non-controlling interests		(1,669)	(1,669)
Total equity		215,621	261,637

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 — unaudited (Expressed in Hong Kong dollars)

Attributable to equity shareholders of the company

	Attributable to equity shareholders of the company						Retained profits/(losses)	Sub-total	Non-controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Exchange reserve	Other reserve				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2018	13,160	555,107	95	11,961	28,326	(395)	179,317	787,571	(1,667)	785,904
Profit/(loss) for the period	-	-	-	-	-	-	1,987	1,987	(2)	1,985
Other comprehensive expenses	-	-	-	-	(1,495)	-	-	(1,495)	-	(1,495)
Total comprehensive income/(expenses) for the period	-	-	-	-	(1,495)	-	1,987	492	(2)	490
Balance at 30 June 2018	13,160	555,107	95	11,961	26,831	(395)	181,304	788,063	(1,669)	786,394
Balance at 1 January 2019	13,160	555,107	95	11,961	22,409	(395)	(339,031)	263,306	(1,669)	261,637
Profit for the period	-	-	-	-	-	-	(47,572)	(47,572)	-	(47,572)
Other comprehensive income	-	-	-	-	1,556	-	-	1,556	-	1,556
Total comprehensive income/(expenses) for the period	-	-	-	-	1,556	-	(47,572)	(46,016)	-	(46,016)
Balance at 30 June 2019	13,160	555,107	95	11,961	23,965	(395)	(386,603)	217,290	(1,669)	215,621

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2019—unaudited (Expressed in Hong Kong dollars)

	Six months end 30 June 2019 \$'000	Six months ended 30 June 2018 \$'000
Net cash (used in)/from operating activities	(1,501)	3,074
Investing activities		
Other net cash flows arising from investing activities	1	4
Net cash from investing activities	1	4
Financing activities		
Increase in debentures	–	2,743
Finance cost paid	–	(7,201)
Net cash used in financing activities	–	(4,458)
Net decrease in cash and cash equivalents	(1,500)	(1,380)
Cash and cash equivalents at beginning of period	1,717	6,128
Effect of foreign exchange rate changes	(15)	(1,495)
Cash and cash equivalents at end of period	202	3,253

The notes on pages 17 to 32 form part of these financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

These interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 December 2018, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs), which term collectively includes HKASs and Interpretations issued by the HKICPA.

These interim financial statements are unaudited, but have been reviewed by the audit committee of the Company. The financial information relating to the year ended 31 December 2018 that is included in the interim financial statements as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2018 are available from the Company’s head office and principal place of business in Hong Kong. The auditor did not express an opinion on those financial statements in their report dated 29 March 2019.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year.

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees which superseded HKAS 17 “Leases” and the related interpretations.

Under HKFRS 16, distinctions of operating leases and finance leases are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modification, amongst others.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

(continued)

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application, i.e. 1 January 2019.

Based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use assets to leases for which the lease term ends within twelve months of the date of initial application.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹

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

² Effective for annual periods beginning on or after 1 January 2021

³ Effective date to be determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The Directors anticipate that the application of the above new and amendments to HKFRSs which have been issued but are not yet effective will have no material impact on the results and the financial position of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 REVENUE AND SEGMENT INFORMATION

The Group's operating segments, determined based on the information reported to the chief operating decision maker ("CODM"), being the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Segment information reported externally was analysed on the basis of the following operating divisions, which are stated as follows:

- Television program related business
 - sales of editing rights
 - licensing income from purchased license rights
- Film investment
 - investment in film rights
 - advertising income
- Ticketing system and IT technical service
 - Agency fee income
 - IT technical service

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results

An analysis of the Group's revenue and results by operating and reportable segment is as follows:

For the six months ended 30 June 2019

	Film investment HK\$'000	Television program related business HK\$'000	Ticketing system and IT technical service HK\$'000	Total HK\$'000
Revenue	–	41,243	3,088	44,331
Segment profit/(loss)	(5,133)	8,754	696	4,317
Finance costs				(40,588)
Unallocated expenses				(9,734)
Loss before taxation				(46,005)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

For the six months ended 30 June 2018

	Film investment HK\$'000	Television program related business HK\$'000	Ticketing system and IT technical service HK\$'000	Total HK\$'000
Revenue	68,355	2,177	9,875	80,407
Segment profit/(loss)	47,925	(7,002)	(723)	40,200
Fair value change of the embedded derivatives				10,391
Finance costs				(35,308)
Unallocated expenses				(11,579)
Profit before taxation				3,704

All of the segment revenue reported above are from external customers.

Segment profit/(loss) represents the profit/(loss) incurred by each segment without allocation of unallocated other income and unallocated expenses (which mainly include central administration costs, director's emoluments), and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 OTHER INCOME/(EXPENSE)

(a) Other income

	Six months ended 30 June 2019 HK\$'000	Six months ended 30 June 2018 HK\$'000
Interest income	1	4

(b) Other expense

	Six months ended 30 June 2019 HK\$'000	Six months ended 30 June 2018 HK\$'000
Net exchange loss	(1,805)	(4,082)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June 2019 HK\$'000	Six months ended 30 June 2018 HK\$'000
Interest on:		
Loan notes	29,750	29,463
Convertible notes	10,675	5,764
Debentures	163	81
Total finance costs	40,588	35,308

(b) Other items

	Six months ended 30 June 2019 HK\$'000	Six months ended 30 June 2018 HK\$'000
Amortisation of intangible assets	5,133	6,955
Depreciation of fixed assets	755	1,387

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 TAXATION

	Six months ended 30 June 2019 HK\$'000	Six months ended 30 June 2018 HK\$'000
Current taxation – Hong Kong Profits Tax	–	–
Current taxation – Outside Hong Kong	1,567	1,719
	1,567	1,719

- (a) On 21 March 2018, the Legislative Council of HK passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduced the Two-tiered Profits Tax Rates Regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the Two-tiered Profits Tax Rates Regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the Two-tiered Profits Tax Rates Regime will continue to be taxed at a flat rate of 16.5%. The Directors considered the amount involved upon implementation of the Two-tiered Profits Tax Rates Regime is insignificant to the condensed consolidated financial statements. HK Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for both periods. No provision has been made for Hong Kong Profits Tax during the six months ended 30 June 2019 and 2018 as the Group did not earn any income subject to Hong Kong Profits Tax.
- (b) The provision for PRC income tax is made as follows:
- Foreign enterprises with permanent establishment in the PRC are subject to PRC corporate income tax at a rate of 25% on a deemed profit basis on their PRC sourced income.

7 DIVIDENDS

No final dividend in respect of year ended 31 December 2018 and no interim dividend of six months ended 30 June 2019 were paid and declared during the Period (2018: nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 LOSS PER SHARE

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

	Six months ended 30 June 2019 HK\$'000	Six months ended 30 June 2018 HK\$'000
Loss for the purposes of calculating basic earnings per share:		
Loss for the period attributable to owners of the Company	(47,572)	1,987
Effect of dilutive potential ordinary shares:		
Interest on convertible notes and fair value change of embedded derivatives	-	(4,627)
Loss for the purpose of calculating diluted loss per share	(47,572)	(2,640)

Weighted average number of ordinary shares

	Six months ended 30 June 2019 '000	Six months ended 30 June 2018 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share:		
Effect of dilutive potential ordinary shares:		
Convertibles notes	1,316,009	1,316,009
	-	162,963
Weighted average number of ordinary shares for the purpose of diluted loss per share	1,316,009	1,478,972

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

9 GOODWILL

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Purchased goodwill	–	–

10 INTANGIBLE ASSETS

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Purchased licence rights	82,980	88,113

11 INVENTORIES

The inventories as at 30 June 2019 represent the cost of scripts, synopses, publication rights, publishing rights and editing rights purchased by the Group, which are held by the Group for re-sale in the ordinary course of business. They are carried at the lower of cost and net realisable value.

No impairment loss was recognised for the Period (2018: approximately HK\$1,859,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 FILM RIGHTS INVESTMENTS

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
As at 1 January	561,540	810,617
Additions	–	–
Recognised as an expense included in cost of sales	(31,771)	(90,056)
Impairment	–	(159,021)
As at 30 June/31 December	529,769	561,540

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Trade receivables	241,433	200,970
Less: Provision for credit loss	(51,307)	(48,902)
	190,126	152,068
Other receivables	206,252	218,932
Less: Provision for credit loss	(57,507)	(57,507)
	148,745	161,425
Prepayments and deposits	25,774	18,254
	364,645	331,747

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 TRADE AND OTHER RECEIVABLES (continued)

The Group provides its trading customers with a credit period ranging from 0 to 270 days. These payments are from independent customers who have no recent history of default. The following is an ageing analysis of trade receivables based on the date of payment due:

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Current	40,608	48,986
Overdue for less than one month to three months	–	–
Overdue for more than three months but less than twelve months	48,131	293
More than one year	101,387	102,789
	190,126	152,068

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 TRADE AND OTHER PAYABLES

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Trade payables	8,288	8,325
Accrued expenses	139,229	117,923
Other payables	123,897	110,272
	271,414	236,520

All accruals and other payable are expected to be settled within one year or payable on demand.

The aging analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Current or less than one month	-	-
One to three months	-	-
Overdue for more than three months but less than twelve months	-	687
Overdue for more than twelve months but less than twenty-four months	8,288	7,638
	8,288	8,325



15 BORROWINGS

(i) Loan notes

The Group did not issue nor repay any loan notes during the current period.

(ii) Convertible loan notes

The Group did not issue or repay any convertible loan notes during the Period and no conversion was made.

(iii) Debentures

The Group did not issue any debentures during the Period. As at 30 June 2019, the debentures were bearing an interest rate of 7% per annum which were repayable within four years to six years and six months.



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16 RELATED PARTIES BALANCES

(a) Related parties balances

These amounts are unsecured, interest-free and are repayable on demand.

(b) Related parties transactions

During the Period, the Group entered into the following transactions with related parties:

Name of related party	Related party relationship	Type of transaction	Transaction amount	
			At 30 June 2019 HK\$'000	At 30 June 2018 HK\$'000
Beijing Mingxiang International Cinema Mgt. Co., Ltd. (北京名翔國際影院管理有限公司)	Common director	Service income of online ticketing	-	2,830

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Wages and salaries	1,200	5,541
Contributions on defined contribution retirement plans	-	-
	1,200	5,541