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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)

2019 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue decreased by 29.4% to approximately HK$46.1 million (2018: approximately HK$65.3 million)
- Gross profit is approximately HK$9.1 million (2018: Gross loss approximately HK$45.4 million)
- Loss for the year is approximately HK$215.8 million (2018: Loss for the year was approximately HK$497.3 million)
- Basic loss per share in 2019 is 16.40 HK cents (2018: 37.79 HK cents)

The board (the "**Board**") of directors (the "**Directors**") of SMI Culture & Travel Group Holdings Limited (the "**Company**") announces the consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	***2019*** ***HK$'000***	2018 *HK$'000*
Revenue	*3*	**46,085**	65,274
Cost of sales		**(36,937)**	(110,691)
Gross profit/(loss)		**9,148**	(45,417)
Other revenue		**2**	10
Other expenses		**(1,850)**	(9,619)
Provision for impairment losses (recognized)/ reversed in respect of:			
– goodwill	*10*	**–**	(95,721)
– intangible assets	*11*	**–**	(13,268)
– other receivables	*14*	**–**	4,479
– film rights investments	*13*	**–**	(159,021)
– trade receivables	*14*	**(2,405)**	(42,668)
– amount due from a shareholder		**–**	1,493
– amount due from a related party		**–**	344
Fair value change of the embedded derivatives		**–**	14,585
Provision for inventories	*12*	**–**	–
Selling expenses		**(913)**	(5,638)
Administrative expenses		**(20,213)**	(23,660)
Finance costs	*4*	**(197,977)**	(122,364)
Loss before income tax expense		**(214,208)**	(496,465)
Income tax expense	*5*	**(1,567)**	(870)
Loss for the year	*6*	**(215,775)**	(497,335)

	Notes	***2019*** ***HK$'000***	2018 *HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(215,775)**	(497,333)
Non-controlling interests		**–**	(2)
		(215,775)	(497,335)
		HK cents	*HK cents*
Loss per share			
– Basic *(Hong Kong cents)*	*8*	**(16.40)**	(37.79)
– Diluted *(Hong Kong cents)*		**(16.40)**	N/A
Loss for the year		**(215,775)**	(497,335)
Other comprehensive income/(expense), net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**1,556**	(5,917)
Other comprehensive income/(expense) for the year		**1,556**	(5,917)
Total comprehensive expense for the year		**(214,219)**	(503,252)
Total comprehensive expense attributable to:			
Owners of the Company		**(214,219)**	(503,250)
Non-controlling interests		**–**	(2)
		(214,219)	(503,252)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**34**	837
Goodwill	*9*	**–**	–
Intangible assets	*11*	**74,271**	88,113
		74,305	88,950
Current assets			
Inventories	*12*	**185,909**	185,909
Film rights investments	*13*	**529,768**	561,540
Trade and other receivables	*14*	**384,458**	331,747
Amount due from a shareholder		**56,088**	56,289
Amounts due from a related party		**28,974**	27,836
Cash and cash equivalents		**1,373**	1,717
		1,186,570	1,165,038
Current liabilities			
Trade and other payables	*15*	**451,800**	236,520
Amounts due to directors		**2,208**	2,208
Amounts due to fellow subsidiaries		**23,534**	19,350
Tax provisions		**163,812**	162,175
Loan notes		**450,000**	450,000
Convertible loan notes		**110,000**	110,000
		1,201,354	980,253

	Notes	*2019* *HK$'000*	2018 *HK$'000*
Net current (liabilities)/assets		**(14,784)**	184,785
Total assets less current liabilities		**59,521**	273,735
Non-current liabilities			
Debenture		**2,798**	2,798
Deferred tax liabilities		**9,300**	9,300
		12,098	12,098
Net assets		**47,423**	261,637
Capital and reserves			
Share capital		**13,160**	13,160
Other reserves		**35,932**	250,146
Equity attributable to owners of the Company		**49,092**	263,306
Non-controlling interests		**(1,669)**	(1,669)
Total equity		**47,423**	261,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. BASIS OF PREPARATION

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

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.

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.

3. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker ("**CODM**") that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

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

Segment revenue and results

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

For the year ended 31 December 2019

Continuing operations	**Television program related business**	**Film investment**	**Ticketing system and IT technical service**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	42,423	–	3,662	46,085
Segment profit/(loss)	9,905	(13,842)	1,221	(2,716)
Unallocated expenses				(13,515)
Finance costs				(197,977)
Loss before income tax expense				(214,208)

For the year ended 31 December 2018

Continuing operations	**Television program related business**	**Film investment**	**Ticketing system and IT technical service**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	2,258	52,086	10,930	65,274
Segment loss	(38,561)	(210,504)	(123,504)	(372,569)
Unallocated expenses				(16,117)
Fair value change of the embedded derivatives				14,585
Finance costs				(122,364)
Loss before income tax expense				(496,465)

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 income, unallocated expense (which mainly include central administration costs and directors' emoluments) and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

4. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on loan notes	**157,283**	100,912
Interest on convertible loan notes	**40,363**	21,221
Interest on debenture	**331**	231
	197,977	122,364

5. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of profit or loss and comprehensive income represents:

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	–
Outside Hong Kong	**1,567**	870
	1,567	870

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "**Ordinance**"). Under the two-tiered profits tax rate regime, the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2019-2020.

Accordingly, the provision for Hong Kong Profits Tax for the year ended 31 December 2019 is calculated in accordance with the two-tiered profits tax regime (2018: a single tax rate of 16.5% was applied).

Under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2018: 25%).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. As at 31 December 2019 and 2018, due to the accumulated loss in each of the PRC subsidiaries, there is no deferred tax liabilities arising as there are no undistributed profits.

6. LOSS FOR THE YEAR

Loss for the year from continuing operations has been arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**2,600**	3,008
Exchange losses, net (included in other expenses)	**1,850**	9,845
Director's emoluments	**2,400**	2,522
Other staff costs	**2,184**	6,123
Retirement benefits scheme contribution (excluding directors)	**76**	225
Depreciation for property, plant and equipment	**803**	1,569
Amortisation of intangible assets (included in cost of sales)	**13,842**	13,842
And after crediting:		
Interest income (included in other income)	**2**	10

7. DIVIDENDS

No dividend has been paid or declared during each of the years ended 31 December 2019 and 2018. The Directors do not recommend the payment of a final dividend for 2019 (2018: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the loss for the year of HK$215,775,000 (2018 loss for the year: HK$497,333,000) and the weighted average number of ordinary shares of 1,316,009,000 (2018: 1,316,009,000) in issue during the year.

No adjustment has been made to basic loss per share presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of convertible loan notes outstanding, had an anti-dilutive on the basic loss per share amount presented.

9. GOODWILL

	Ticketing platform *HK$'000*	**IT technical service** *HK$'000*	**Total** *HK$'000*
Cost			
At 1 January 2018 and 2019	41,862	65,744	107,606
Acquired through business combinations	–	–	–
At 31 December 2018 and 2019	41,862	65,744	107,606
Accumulated impairment losses			
At 1 January 2018	41,862	65,744	107,606
Provision for impairment losses recognised in the year *(note 10)*	–	–	–
At 31 December 2018	41,862	65,744	107,606
Provision for impairment losses recognised in the year *(note 10)*	–	–	–
At 31 December 2019	41,862	65,744	107,606
Net carrying amount			
At 31 December 2019	–	–	–
At 31 December 2018	–	–	–

Goodwill acquired in the business combination is allocated, at acquisition, to the cash generating units ("**CGUs**") that are expected to benefit from that business combination. As at 31 December 2018, the goodwill arose from the acquisition of CGUs which are engaged in operation of ticketing platform and provision of IT technical service.

10. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, impairment of goodwill is allocated to the CGUs identified as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Ticketing platform	**–**	41,862
IT technical service	**–**	53,859
	–	95,721

11. INTANGIBLE ASSETS

	Ticketing platform *HK$'000*	Purchased license rights *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2018 and 2019	54,683	1,201,485	1,256,168
At 31 December 2018 and 2019	54,683	1,201,485	1,256,168
Amortisation and impairments			
At 1 January 2018	608	1,140,337	1,140,945
Amortisation	3,607	10,235	13,842
Impairment	13,268	–	13,268
At 31 December 2018	17,483	1,150,572	1,160,055
Amortisation	3,607	10,235	13,842
At 31 December 2019	21,090	1,160,807	74,271
Carrying amount			
At 31 December 2019	33,593	40,678	74,271
At 31 December 2018	37,200	50,913	88,113

Ticketing platform belongs to ticketing platform and IT technical service business segment. Purchased license right belongs to television program business segment.

Ticketing platform represents fair value of the identifiable value of online ticketing platform of the newly acquired component, SMI Entertainment Limited and its subsidiaries ("**SMI Entertainment Group**"). The fair value of the system as at acquisition date have been arrived at market value basis carried by GW Financial Advisory Services Limited, an independent valuer who holds a recognised and relevant professional qualification and has relevant experience in the valuation of the similar assets.

Purchased license rights represent purchased broadcasting rights over films, TV series, documentaries, etc. These rights have finite useful lives and are expected to generate economic benefits in the long term through leasing out arrangements, whereby the Group would license out these broadcasting rights to TV stations and other broadcasting and media channels for broadcasting in particular location for a finite period.

12. INVENTORIES

Inventories 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.

The directors of the Company have reviewed the net realisable value of the inventories with reference to their fair value less cost to sell at 31 December 2019 and 2018.

No impairment loss was recognized for inventories for the year ended 31 December 2019 (2018: no impairment loss).

13. FILM RIGHTS INVESTMENTS

The costs of film rights are recognised as an expense included in cost of sales based on the proportion of actual income earned from a film during the year to the total estimated income from exhibition of the film attributable to the Group, according to the profit sharing ratio specified in the film investment agreements.

No impairment was recognised for the year ended 31 December 2019 (2018: HK$159,021,000) due to expected loss over the recoverable amount.

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**241,433**	200,970
Less: Provision for impairment loss	**(51,307)**	(48,902)
	190,126	152,068
Other receivables	**226,065**	218,932
Less: Provision for impairment loss	**(57,507)**	(57,507)
	168,558	161,425
Prepayments and deposits	**25,774**	18,254
	384,458	331,747

The Group allows a credit period ranging from 0 days to 270 days to its trade customers. The following is an ageing analysis of trade receivables based on the payment due dates:

	2019	2018
	HK$'000	*HK$'000*
Current	**–**	48,986
Less than 1 to 3 months past due	**40,608**	–
More than 3 months but less than 12 months past due	**–**	293
Over 1 year	**149,518**	102,789
	190,126	152,068

As at 31 December 2019, trade receivables of HK$149,518,000 (2018: HK$103,082,000) were past due and impairment made. No interest is charged on the overdue trade receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
Balance at 31 December under HKAS 39	**48,902**	–
Impact of initial application of HKFRS 9	**–**	6,234
Adjusted balance at 1 January	**48,902**	6,234
Impairment losses recognized, net	**2,405**	42,668
Balance at 31 December	**51,307**	48,902

Movement in the loss allowance account in respect of other receivables during the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
Balance at 31 December under HKAS 39	**57,507**	52,472
Impact of initial application of HKFRS 9	**–**	9,514
Adjusted balance at 1 January	**57,507**	61,986
Impairment loss (reversed)/recognised, net	**–**	(4,479)
Balance at 31 December	**57,507**	57,507

15. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**8,288**	8,325
Accruals	**300,413**	117,453
Other payables	**143,099**	110,742
	451,800	236,520

The average credit period on purchase of film rights investments is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2019	2018
	HK$'000	*HK$'000*
Current or less than 1 month	**–**	–
1 to 3 months	**–**	–
More than 3 months but less than 12 months past due	**–**	687
More than 12 months but less than 24 months past due	**8,288**	7,638
	8,288	8,325

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.

2019 was another bumper year for Chinese films, the annual total box office exceeded 64 billion and reached a record high, an increase of 2.8 billion or a net increase of 5.4% compared with the yearly box office in 2018. Among them, the total box office of domestic films was 41,175 million, a year-on-year increase of 8.65%, and the market share was 64.07%. The cinema admission across China reached 1,727 million, and the movie market continued to expand. Although China's film industry has well developed in various aspects in 2019, such as the remarkable improvement in film creation and the incremental development of the market size, it has overcome huge pressures and difficulties. The growing trade war between China and the US has caused a slowdown in economic growth and the rapid development of online videos and audios such as online films, TV series and short videos have also led to the diversion of certain audiences.

The Group's business development benefited from the prosperity of the Chinese film and television market during the past years. During the Year, the Group continued to focus on film and television investment. The performance of the Group's main business is expected to continue to develop. Confident about the development of TV plays, the Group also participated in the investment of TV plays.

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 Year, 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.

Television program related business

During the year, we continued to recognize the income from several fictions editing/publishing rights.

Film investment

The Group's business development benefited from the prosperity of the Chinese film and television market. In 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.

Ticketing system and IT technical service

Since the acquisition of the business which was engaged in operation of ticketing platform and provision of IT technical service, with the ascending trend of box office, based on the total movie tickets sold for the year ended 31 December 2019, revenue from our overall online ticketing business increased significantly.

Review of Operations

During the financial year ended 31 December 2019, the Group recorded a turnover of approximately HK$46.1 million (2018: approximately HK$65.3 million). Loss for the financial year was approximately HK$215.8 million (2018: loss of approximately HK$497.3 million), selling expenses was approximately HK$0.9 million (2018: approximately HK$5.6 million), administrative expenses was approximately HK$20.2 million (2018: approximately HK$23.7 million), finance costs was approximately HK$198.0 million (2018: approximately HK$122.4 million) and income tax expense was approximately HK$1.6 million (2018: approximately HK$0.9 million).

Liquidity and Financial Resources

In terms of overall liquidity and financial resources, as at 31 December 2019, the Group's cash level stood at HK$1.4 million (2018: HK$1.7 million). The balances are mainly denominated in Hong Kong Dollar and Renminbi.

Gearing ratio (expressed as a percentage of the Group's total borrowings over total equity) was approximately 1,146.4% as at 31 December 2019 (2018: approximately 213.7%).

Mortgages and Charges

As at 31 December 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 arise.

Final Dividend

The Directors have not recommended the payment of a dividend for the financial year ended 31 December 2019 (2018: Nil).

Prospects

After the outbreak of the COVID-19 ("**COVID-19 Outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group expects that the COVID-19 Outbreak may bring temporary interruption to the business but will not significantly alter the long term business growth. The Group will pay close attention to the development of the COVID-19 Outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

Looking forward to the future, the Board of Directors will, on one hand, continue to leverage the advantage of industry resources, actively develop high-quality film and television projects, reinforce the level of investment and keep the release of influential works in the industry to achieve good performance for the Group; 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.

REVIEW OF ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 outbreak. The results contained herein have not been agreed by the Company's auditors, BDO Limited. An announcement relating to the results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

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

There were no purchases, sales or redemption of the Company's listed securities by the Company and any of its subsidiaries during the financial year.

CORPORATE GOVERNANCE

The Company has adopted Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

During the year ended 31 December 2019, the Company was in compliance with the code provisions set out in the CG Code except the following deviations:

Code provision A.2.1 of the CG Code provides that the roles and responsibilities of chairman and chief executive officer should be separated. The chief executive officer of the Company has been vacant from 23 October 2013. Until the appointment of new chief executive officer, any two of the executive Directors continue to oversee the day-to-day management of the business and operations of the Group.

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.

Code provision A.2.7 of the CG Code requires that the chairman of the Board shall at least annually hold meetings with non-executive Directors (including independent non-executive Directors) without the executive Directors present. As Mr. WU Chien-Chiang serves as the Chairman and executive Director concurrently, the code provision does not apply and the Company deviates from such code provision. In addition, the Chairman of the Board is of the view that, the independent non-executive Directors can express their opinions to all executive Directors more directly and effectively at the Board meetings, hence the Board is of the view that the deviation from the code provision does not have material impact on the operation of the Board.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH MODEL CODE

The Company, having made specific enquiry, confirms that all Directors complied throughout the year from 1 January 2019 to 31 December 2019 with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. 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.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

AUDIT COMMITTEE

The Audit Committee has reviewed with senior management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control and financial reporting matters including the review of the consolidated financial statements for the year ended 31 December 2019.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 17 February 2020, a total of 263,200,000 Award Shares were granted to 41 eligible participants as Selected Employees for nil consideration in the Share Award Scheme. For details, please refer to the Company's announcement dated 31 December 2019 and 18 February 2020.

The decision under HCA 32/2019 on 10 January 2020 with respect to the appointment of an interim receivers over 829,185,517 shares in the Company currently held and owned by SMI Investment (HK) Limited, a subsidiary of SMI Holdings Group Limited (Stock code: 198) but charged to Emperor Securities Limited by way of a share and deposit charge dated 8 September 2016. For details, please refer to the Company's announcement dated 13 January 2020.

Time Oasis Limited, a direct wholly-owned subsidiary of Emperor Culture Group Limited ("Potential Purchaser") issued a Letter of Intent to the Receivers for the potential acquisition of all or certain of 829,185,517 shares of the Company. Such Letter of Intent is non-legally binding in nature. And, the Potential Purchaser has not yet concluded this Possible Acquisition. For details, please refer to the Company's announcement dated 26 February 2020 and 25 March 2020.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

The results announcement, containing the relevant information required by the Listing Rules, is published on the Company's website at www.smiculture2366.com and the designated website of the Stock Exchange at www.hkexnews.hk. The Company's annual report for the financial year ended 31 December 2019 will be published on the above websites and despatched to the shareholders of the Company in due course.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers, business partners and staff for their continued support to the Group.

By order of the Board
SMI Culture & Travel Group Holdings Limited
Mr. Wu Chien-Chiang
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Wu Chien-Chiang (Chairman), Mr. Li Kai, Mr. Chen Wenbo and Mr. Li Yineng; non-executive Director is Mr. Chow Wai Shing Daniel; and the independent non-executive Directors are Mr. Rao Yong, Mr. Liu Xianbo, Mr. Zhao Xuebo and Mr. Wong Shui Yeung.