STARLIGHT CULTURE ENTERTAINMENT

STARLIGHT CULTURE ENTERTAINMENT GROUP LIMITED
星光文化娛樂集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1159)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Starlight Culture Entertainment Group Limited (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	**2020**	2019
		(Unaudited)	(Unaudited)
		HK$'000	HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**53,154**	62,724
Cost of sales		**(10,345)**	(25,859)
Gross profit		**42,809**	36,865
Other income and gains		**1,903**	12,544
Selling and distribution expenses		**–**	(1,796)
Administrative expenses		**(15,031)**	(21,861)
Reversal of impairment losses of film and TV drama series investments and film products		**–**	10,356
(Impairment losses)/reversal of impairment losses on financial and contract assets, net		**(3,179)**	73
Change in fair value of convertible bonds		**–**	(547)
Other expenses		**–**	(683)
Finance costs		**(5,191)**	(29,563)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**21,311**	5,388
Income tax expense	7	**(9,325)**	(890)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**11,986**	4,498
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	8	**(21)**	(243)
PROFIT FOR THE PERIOD		**11,965**	4,255

	Notes	**2020** **(Unaudited)** **HK$'000**	2019 (Unaudited) HK$'000
Attributable to:			
Owners of the parent		**12,079**	4,569
Non-controlling interests		**(114)**	(314)
		11,965	4,255
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted			
– For profit for the period (HK$ cents)		**1.47**	0.67
– For profit from continuing operations (HK$ cents)		**1.47**	0.70

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**11,965**	4,255
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(6,357)**	616
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(6,357)**	616
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(6,357)**	616
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**5,608**	4,871
Attributable to:		
Owners of the parent	**5,718**	5,183
Non-controlling interests	**(110)**	(312)
	5,608	4,871

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	**30 June 2020 (Unaudited) HK$'000**	31 December 2019 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,654**	1,743
Right-of-use assets		**6,213**	6,062
Club debenture		**320**	320
Deferred tax assets		**802**	802
Total non-current assets		**8,989**	8,927
CURRENT ASSETS			
Trade receivables	11	**77,409**	257,963
Prepayments, other receivables and other assets		**332,195**	322,817
Contract assets		**170,294**	144,753
Film and TV drama series investments and film products		**296,435**	259,719
Cash and cash equivalents		**191,814**	180,404
Total current assets		**1,068,147**	1,165,656
CURRENT LIABILITIES			
Trade payables	12	**3,100**	3,162
Other payables and accruals		**140,788**	149,625
Contract liabilities		**69,703**	71,936
Amounts due to non-controlling shareholders of subsidiaries		**20,900**	20,900
Interest-bearing bank and other borrowings		**328,176**	211,827
Derivative financial liabilities		**15,067**	15,144
Amount due to a holding company		**–**	175,652
Promissory notes		**1,000**	9,000
Lease liabilities		**2,629**	2,241
Tax payable		**48,945**	47,725
Total current liabilities		**630,308**	707,212

	Notes	**30 June 2020 (Unaudited) HK$'000**	31 December 2019 (Audited) HK$'000
NET CURRENT ASSETS		**437,839**	458,444
TOTAL ASSETS LESS CURRENT LIABILITIES		**446,828**	467,371
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**116,718**	149,874
Lease liabilities		**3,892**	4,071
Deferred tax liabilities		**11,058**	3,874
Total non-current liabilities		**131,668**	157,819
Net assets		**315,160**	309,552
EQUITY			
Equity attributable to owners of the parent			
Share capital		**82,356**	82,356
Reserves		**279,658**	273,940
		362,014	356,296
Non-controlling interests		**(46,854)**	(46,744)
Total equity		**315,160**	309,552

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1. CORPORATE INFORMATION

Starlight Culture Entertainment Group Limited (the "Company") 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 period, the Company and its subsidiaries (the "Group") were involved in the following principal activities:

- media and culture business; and

- trading of chemical products, energy conservation and environmental protection products.

As of 30 June 2020, in the opinion of the directors, the single largest shareholder of the Company is Timcha Investment Limited (formerly known as CICFH Innovation Investment Limited) ("Timcha").

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and impact of the revised HKFRSs are described below:

(a) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendment did not have any impact on the financial position and performance of the Group.

(d) 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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2020

	Media and culture business HK$'000 (Unaudited)	**Chemical products, and energy conservation and environmental protection products HK$'000 (Unaudited)**	**Total HK$'000 (Unaudited)**
Segment revenue (note 5)			
Sales to external customers	**53,154**	**–**	**53,154**
Segment results	**34,430**	**(1,536)**	**32,894**
Reconciliation:			
Corporate and other unallocated gains			**1,900**
Interest income			**3**
Corporate and other unallocated expense			**(8,447)**
Finance costs (other than interest on lease liabilities)			**(5,039)**
Profit before tax from continuing operations			**21,311**

Six months ended 30 June 2019

	Media and culture business HK$'000 (Unaudited)	Chemical products, and energy conservation and environmental protection products HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue (note 5)			
Sales to external customers	62,724	–	62,724
Segment results	37,254	(2,031)	35,223
Reconciliation:			
Corporate and other unallocated gains			11,632
Interest income			17
Corporate and other unallocated expense			(11,921)
Finance costs			(29,563)
Profit before tax from continuing operations			5,388

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively.

30 June 2020

	Media and culture business HK$'000 (Unaudited)	**Chemical products, and energy conservation and environmental protection products HK$'000 (Unaudited)**	**Unallocated HK$'000 (Unaudited)**	**Total HK$'000 (Unaudited)**
Segment assets	**830,003**	**1,247**	**243,327**	**1,074,577**
Reconciliation:				
Assets related to a discontinued operation				**2,559**
Total assets				**1,077,136**
Segment liabilities	**(486,760)**	**(4,699)**	**(244,982)**	**(736,441)**
Reconciliation:				
Liabilities related to a discontinued operation				**(25,535)**
Total liabilities				**(761,976)**

31 December 2019

	Media and culture business HK$'000 (Audited)	Chemical products, and energy conservation and environmental protection products HK$'000 (Audited)	Unallocated HK$'000 (Audited)	Total HK$'000 (Audited)
Segment assets	988,290	1,826	181,908	1,172,024
Reconciliation:				
Assets related to a discontinued operation				2,559
Total assets				1,174,583
Segment liabilities	(218,876)	(4,432)	(616,188)	(839,496)
Reconciliation:				
Liabilities related to a discontinued operation				(25,535)
Total liabilities				(865,031)

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**53,154**	62,724

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

Segments

	Media and culture business HK$'000 (Unaudited)	**Chemical products, and energy conservation and environmental protection products HK$'000 (Unaudited)**	**Total HK$'000 (Unaudited)**
Types of goods or services			
Revenue from film and TV drama series investments and film products	**12,333**	**–**	**12,333**
Film production related services	**22,173**	**–**	**22,173**
Other services	**18,648**	**–**	**18,648**
Total revenue from contracts with customers	**53,154**	**–**	**53,154**
Geographical markets			
United States of America	**53,154**	**–**	**53,154**
Total revenue from contracts with customers	**53,154**	**–**	**53,154**

For the six months ended 30 June 2020

Segments

	Media and culture business HK$'000 (Unaudited)	Chemical products, and energy conservation and environmental protection products HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Timing of revenue recognition			
At a point in time	**30,981**	**–**	**30,981**
Services transferred over time	**22,173**	**–**	**22,173**
Total revenue from contracts with customers	**53,154**	**–**	**53,154**

For the six months ended 30 June 2019

Segments

	Media and culture business HK$'000 (Unaudited)	Chemical products, and energy conservation and environmental protection products HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Types of goods or services			
Revenue from film and TV drama series investments and film products	62,724	–	62,724
Total revenue from contracts with customers	62,724	–	62,724
Geographical markets			
United States of America	41,522	–	41,522
Mainland China	21,202	–	21,202
Total revenue from contracts with customers	62,724	–	62,724

For the six months ended 30 June 2019

Segments

	Media and culture business HK$'000 (Unaudited)	Chemical products, and energy conservation and environmental protection products HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Timing of revenue recognition			
At a point in time	62,724	–	62,724

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

For the six months ended 30 June 2020

Segments

	Media and culture business HK$'000 (Unaudited)	**Chemical products, and energy conservation and environmental protection products HK$'000 (Unaudited)**	**Total HK$'000 (Unaudited)**
Revenue from contracts with customers			
External customers	**53,154**	**–**	**53,154**

For the six months ended 30 June 2019

Segments

	Media and culture business HK$'000 (Unaudited)	Chemical products, and energy conservation and environmental protection products HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Revenue from contracts with customers			
External customers	62,724	–	62,724

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of services provided*	**6,855**	–
Amortisation of film and TV drama series investments and film products*	**3,490**	25,859
Depreciation of property, plant and equipment	**564**	492
Depreciation of right-of-use assets	**1,417**	1,203
Loss on change in fair value of convertible bonds	**–**	547
Impairment losses/(reversal of impairment losses) on financial and contract assets, net	**3,179**	(73)
Reversal of impairment losses of film and TV drama series investments and film products	**–**	(10,356)
Exchange differences, net	**(1,594)**	683

* Cost of services provided and amortisation of film and TV drama series investments and film products are included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

7. INCOME TAX

No provision for Hong Kong profits tax was made as the Group did not generate any assessable profits in Hong Kong during each of the period ended 30 June 2020 and 2019. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Income tax consists income tax charged on the Group in Mainland China and United States of America ("USA"). Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% on the assessable income of the PRC companies during each of the periods ended 30 June 2020 and 2019. USA income tax applicable to the Group is charged at the federal tax rate of 21% and state tax rate, net of federal effect, of 7% during each of the periods ended 30 June 2020 and 2019.

	For the six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current – USA	**2,105**	–
Current – Mainland China	**–**	890
Deferred	**7,220**	–
Total tax charge for the period from continuing operations	**9,325**	890

8. DISCONTINUED OPERATION

On 20 February 2020, the Company's board of directors decided to cease its entertainment and gaming business to focus its resources on its media and culture business. All operations of the business were stopped during the period. As at 30 June 2020, the entertainment and gaming business was classified as a discontinued operation. With this business being classified as a discontinued operation, the gaming and entertainment business segment was no longer included in the note for operating segment information.

The results of entertainment and gaming business for the period are presented below:

	For the six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Expense	**(21)**	(243)
Loss for the period from the discontinued operation	**(21)**	(243)

The net cash flows incurred by the gaming and entertainment business are as follows:

	For the six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Operating activities	**(89)**	(38)
Net cash outflow	**(89)**	(38)
Loss per share:		
Basic, from the discontinued operation	**HK0.003 cents**	HK0.03 cents
Diluted, from the discontinued operation	**HK0.003 cents**	HK0.03 cents

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**HK$21,000**	HK$243,000
Weighted average number of ordinary shares used in the basic and diluted loss per share calculations	**823,564,799**	682,831,466

9. DIVIDENDS

No interim dividend has been paid or declared during each of the periods ended 30 June 2020 and 2019. The board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

(a) Basic earnings per share

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of HK$12,079,000 (30 June 2019: HK$4,569,000), and the weighted average number of ordinary shares of 823,564,799 (30 June 2019: 682,831,466) in issue during the period, as adjusted to reflect the rights issue during the period.

(b) Diluted earnings per share

The group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2020 (30 June 2019: Nil).

11. TRADE RECEIVABLES

An 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:

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Within 1 month	**–**	257,963
1 to 3 months	**–**	–
Over 3 months	**77,409**	–
	77,409	257,963

12. TRADE PAYABLES

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

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Over 3 months	**3,100**	3,162

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW, AND COVID-19

With an increase of profit attributable to owners of the company of approximately HK$7.5 million, the Group recorded a net profit attributable to owners of the company of approximately HK$12.1 million during the first half of this year compared to approximately HK$4.6 million recorded in previous corresponding period.

Subsequent to the year ended 31 December 2019, an outbreak of the coronavirus disease 2019 ("COVID-19") pandemic has impacted on the Group's business for the year of 2020. The lockdowns of cities world, and especially in the cities of USA has temporarily delayed the receipts of payments from box office and other distribution sources, the settlement statements from distributors, as well as the production of certain film projects of the Group for the first half of 2020. The above factors have been taken account of in assessing the amount of expected credit losses of financial and contract assets of the Group, and the Company has made the best estimation based on the information available on revenue recognition by discounting the amount of revenue derived from film box office and other distribution sources in this interim period. The Company believes that the delay in terms of receipts and production is temporary and should not affect the Group's overall estimated project forecasts and future action plans afterward. So no impairment losses of film and TV drama series investments and film products were made during the six-month period ended 30 June 2020.

The Group will continue to monitor the development of COVID-19 situation closely and assess its impacts on the financial position and operating results of the Group.

Media and Culture

The Group's movies and TV drama series products and investments, projects developed by film directors and related prepayments amounted to approximately HK$504 million as at 30 June 2020, and the followings are some highlights:

Media investments and products

Crazy Rich Asians

The movie was 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), and was released in August 2018. The film was 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. 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. To date, according to Box Office Mojo, its worldwide gross is US$238,538,736.

Greta

The thriller/crime movie 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. The international sales of the movie are undertaken by veteran sales agency Sierra/Affinity. To date, international sales are anticipated to be US$9.5 million. The movie premiered at the Toronto International Film Festival in September 2018 and was released in March 2019.

Midway

The Group arranged the investment in the epic drama movie, 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 was released on 8 November 2019. 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. 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". During the pre-sales period, excluding the Greater China area, overseas pre-sales has exceeded US$30 million.

The movie topped the North American box office only in its opening week. According to Box Office Mojo, its worldwide gross amounted to US$125,619,985. In addition, the movie also enjoyed positive buzz among audiences since releasing, with being scored by up to 92% of audiences (Audience Score) on Rotten Tomatoes, a professional film critics website.

Scary Stories to Tell in the Dark

The movie is distributed in US by Lionsgate, co-financed by CBS Films, eOne, the Group and Rolling Hills and was released in August 2019. The film is adapted from a bestselling series of short horror stories, written by Alvin Schwartz under the same title. It is directed by André Øvredal, produced by Academy Award Winner Guillermo del Toro, written by Dan Hageman, Kevin Hageman, and Guillermo del Toro. Starring Zoe Margaret Colletti, Michael Garza, Gabriel Rush, etc., the movie's international distributor is Entertainment One and Sierra/Affinity is the foreign sales agency of the picture. Produced for US$25 million, the movie earned US$21 million at the domestic box office in its opening weekend. To date, according to Box Office Mojo, its worldwide gross is US$104,545,505.

Malignant

The movie is independently co-financed by the Group and Midas Innovation. The motion picture written by Akela Cooper, based on a story by James Wan and Ingrid Bisu and directed and produced by James Wan, is the first project to go into production since the development deal was inked. New Line has the exclusive right to distribute the picture throughout the world excluding mainland China but including Hong Kong, Macau and Taiwan. The movie is stared by Annabelle Wallis. Currently, it is expected to be released in the end of 2020 or the first quarter of 2021.

Marshall

The movie was obtained by the Group through acquisition. It 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.

My Robot Boyfriend

My Robot Boyfriend, an urban love sci-fi comedy directed by Lai Chun Tsang and starring Chao Jiang and Xiaotong Mao, which has been firstly broadcasted on Zhejiang Satellite TV on 21 October 2019 with concurrently releasing on Tencent Video and Mango TV.

PROJECTS DEVELOPED BY FILM 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 8 film directors.

James Wan, Roland Emmerich, Jon M. Chu, 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 20 March 2020 for details of the profile of some of the projects under development. With respect to those projects that have not been completed prior to the terminations or expirations of the development agreements, the Company and those directors will continue to collaborate on the development of those projects.

Revenue and gross profit which were derived from its media and culture business amounted to approximately HK$53.2 million (for the six months period ended 30 June 2019: approximately HK$62.7 million) and HK$42.8 million (for the six months period ended 30 June 2019: approximately HK$36.9 million) respectively for the six months period ended 30 June 2020.

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

As the management has allocated more resources to media and culture segment which are the Group's major growth drivers, this segment shrank and did not record revenue during the first half of 2020 (six months ended 30 June 2019: Nil).

FINANCIAL REVIEW

The Group reported a profit attributable to owners of the Company of approximately HK$12,079,000 for the six months period ended 30 June 2020 (six months period ended 30 June 2019: approximately HK$4,569,000).

The Board considers that the improvement in the overall performance of the Group was mainly attributable to the decrease in operating expenses, administrative expenses, and finance costs totaling approximately HK$33.2 million, and the increase in gross profit of approximately HK$5.9 million, which was offset by the overall decrease in net other income and net reversal of impairment losses totaling approximately HK$23.6 million, and by the increase in tax expenses of approximately HK$8.4 million.

Basic earnings per share for the six months period ended 30 June 2020 amounted to approximately 1.47 HK cents (six months period ended 30 June 2019: approximately 0.67 HK cents). Net assets of the Group as at 30 June 2020 were approximately HK$315,160,000 (as at 31 December 2019: approximately HK$309,552,000).

FUTURE PLANS AND PROSPECTS

The management will continue to allocate more resources to media and culture segment which are the Group's major growth drivers.

With an aim to safeguard a higher shareholder's return, the Group is in the process of reviewing the future prospect and development of its other business segments, and at the same time exploring new business opportunities and making more efforts to explore market opportunities in Mainland China.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal during the six months ended 30 June 2020.

PLEDGE OF ASSETS

100% of the Group's equity interest in its wholly-owned subsidiary, namely Starlight Culture Entertainment Limited, was pledged to secure the bank loan of HK$99,896,000 of the Group as at 30 June 2020.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

CAPITAL STRUCTURE

As at 30 June 2020, the Company's equity attributable to its owners was approximately HK$362,014,000 (as at 31 December 2019: approximately HK$356,296,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cash flow, interest bearing bank and other borrowings, and through issuance of promissory notes.

Prudent financial management and selective investment criteria have enabled the Group to maintain a stable financial position. As at 30 June 2020, the Group's bank balances and cash amounted to approximately HK$191,814,000 (31 December 2019: approximately HK$180,404,000).

As at 30 June 2020, the current ratio was approximately 1.69 (31 December 2019: approximately 1.65) based on current assets of approximately HK$1,068,147,000 (31 December 2019: approximately HK$1,165,656,000) and current liabilities of approximately HK$630,308,000 (31 December 2019: approximately HK$707,212,000).

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 period. The Group was not exposed to material foreign exchange risk and had not employed any financial instruments for hedging purposes.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed 28 (31 December 2019: 28) employees. 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.

EVENT AFTER THE REPORTING PERIOD

There is no major event after the reporting period that should be notified to the shareholders of the Company.

AUDIT COMMITTEE

The audit committee, comprising all the four independent non-executive Directors, has discussed with the management and external auditors of the Company the accounting principles and practices adopted by the Group and reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2020, and is of the opinion that the preparation of the condensed consolidated financial statements has complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of maintaining a high standard of corporate governance with an aim to protect the interest of shareholders.

The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of Listing Rules on the Stock Exchange including those revised code provisions which became effective on 1 April 2012, 1 September 2013 and 1 January 2016. During the six months ended 30 June 2020, the Company complied with all applicable provisions of the Code for their respective applicable periods except for the deviation stated below:

Code Provision E.1.2

Under code provision E.1.2, the chairman should attend the annual general meeting. Due to other pre-arranged commitments, the then chairman was unable to attend the Company's annual general meeting held on 30 June 2020.

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 were unable to attend the Company's annual general meeting held on 30 June 2020.

PUBLICATION OF OTHER FINANCIAL INFORMATION

Other financial information containing all of the information required by Appendix 16 of the Listing Rules will be available on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.starlightcul.com.hk in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, business partners, bankers and other business associates for their trust and support.

By Order of the Board
Starlight Culture Entertainment Group Limited
Fang Jun
Chairman

Hong Kong, 31 August 2020

As at the date of this announcement, the Board comprises seven executive Directors, namely Mr. Fang Jun, Mr. Chau Chit, Mr. Luo Lei, Mr. Sang Kangqiao, Mr. Gao Qun, Mr. Chen Jie, and Ms. Wu Xiaoli; and four independent non-executive Directors, namely Mr. Wong Wai Kwan, Mr. Michael Ngai Ming Tak, Mr. Ma Runsheng and Mr. Wong Wai Hung .