CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2014

FINAL RESULTS

The board of directors (the "Board") of China Star Entertainment Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2014 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Revenue	3	**1,283,597**	1,404,629
Cost of sales		**(633,455)**	(720,917)
Gross profit		**650,142**	683,712
Other revenue	4	**50,889**	14,414
Other income	5	**3,279**	1,091
Administrative expenses		**(397,562)**	(445,749)
Marketing, selling and distribution expenses		**(69,938)**	(77,115)
Gain arising on change in fair value of financial assets classified as held for trading investments		**8,110**	6,050
Other operating expenses		**(18,200)**	(49,866)

CONSOLIDATED INCOME STATEMENT (CONTINUED)
For the year ended 31st December 2014

	Notes	2014 HK$'000	2013 HK$'000
Profit from operations		**226,720**	132,537
Finance costs	6	**(16,339)**	(41,431)
Share of losses of joint ventures		**(530)**	(322)
Profit before tax	7	**209,851**	90,784
Income tax credit	8	**160**	555
Profit for the year		**210,011**	91,339
Profit/(loss) for the year attributable to:			
Owners of the Company		**209,665**	93,817
Non-controlling interests		**346**	(2,478)
		210,011	91,339
Earnings per share			
Basic	10	**HK cents 1.61**	HK cents 2.44
Diluted	10	**HK cents 1.61**	HK cents 1.67

Details of dividend and distribution are set out in note 9 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**210,011**	91,339
Other comprehensive income		
Items that may be reclassified subsequently to consolidated income statement:		
Exchange differences arising on translation of foreign operations:		
Exchange differences arising during the year	**(71)**	31
Reclassification adjustments relating to foreign operations disposed of during the year	**(79)**	–
Other comprehensive (loss)/income for the year	**(150)**	31
Total comprehensive income for the year	**209,861**	91,370
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**209,495**	93,860
Non-controlling interests	**366**	(2,490)
	209,861	91,370

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Non-current assets			
Property, plant and equipment		**513,929**	646,470
Interests in leasehold land		**441,613**	461,625
Investment property		**6,190**	6,190
Goodwill		**–**	3,030
Intangible assets		**25,353**	31,223
Interests in joint ventures		**113**	28,317
Interests in associates		**–**	–
		987,198	1,176,855
Current assets			
Inventories		**73,073**	81,979
Stock of properties		**566,363**	563,742
Film rights		**14,591**	17,867
Films in progress		**79,390**	2,140
Trade receivables	11	**115,636**	278,918
Deposits, prepayments and other receivables	12	**662,033**	50,057
Held for trading investments		**36,332**	57,576
Loan receivables	13	**600,000**	–
Amounts due from non-controlling interest		**–**	19
Prepaid tax		**240**	179
Cash and bank balances		**323,939**	390,241
		2,471,597	1,442,718
Total assets		**3,458,795**	2,619,573
Capital and reserves			
Share capital		**159,397**	65,673
Reserves		**2,762,686**	1,569,041
Equity attributable to owners of the Company		**2,922,083**	1,634,714
Non-controlling interests		**(426)**	(2,228)
Total equity		**2,921,657**	1,632,486

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31st December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Amounts due to non-controlling interests		**–**	127,503
Bank borrowings		**–**	300,000
Obligations under finance leases		**819**	20
Convertible bonds		**–**	220,869
Deferred tax liabilities		**83,270**	82,746
		84,089	731,138
Current liabilities			
Bank borrowings		**315,819**	67,292
Obligations under finance leases		**247**	23
Trade payables	14	**39,136**	98,367
Deposits received, accruals and other payables		**97,528**	90,267
Amounts due to joint ventures		**25**	–
Amounts due to non-controlling interests		**294**	–
		453,049	255,949
Total liabilities		**537,138**	987,087
Total equity and liabilities		**3,458,795**	2,619,573
Net current assets		**2,018,548**	1,186,769
Total assets less current liabilities		**3,005,746**	2,363,624

NOTES:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning from 1st January 2014. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HK(IFRIC) – Int 21	Levies

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 at 1st January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) – Int 21 Levies

The Group has applied HK(IFRIC) – Int 21 *Levies* for the first time in the current year. HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) – Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

HKAS 1 (Amendments)	Disclosure Initiative[3]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[3]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
HKFRS 9	Financial Instrument[6]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[3]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[5]

[1] Effective for annual periods beginning on or after 1st July 2014, with limited exceptions. Earlier application permitted.

[2] Effective for annual periods beginning on or after 1st July 2014, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1st January 2016, with earlier application permitted.

[4] Effective for first annual HKFRS financial statements beginning on or after 1st January 2016, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1st January 2017, with earlier application permitted.

[6] Effective for annual periods beginning on or after 1st January 2018, with earlier application permitted.

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)**

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1st January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a material impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)**

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Continued)

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's consolidated income statement only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's consolidated income statement only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirement of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specially, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investment and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entity may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading investment) in other comprehensive income, with only dividend income generally recognised in the consolidated income statement.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in the consolidated income statement. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to the consolidated income statement. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in the consolidated income statement.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company do not anticipate that the application of HKFRS 9 will have a material effect on the Group's consolidated financial statements.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 *Impairment of Assets* regarding impairment testing of a cash generating unit ("CGU") to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations (Continued)

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1st January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects in consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Annual Improvements to HKFRSs 2010-2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1st July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting period, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in the consolidated income statement. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1st July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets should only be provided of the segment assets are regularly provided to the chief operating decision-maker ("CODM").

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Annual Improvements to HKFRSs 2011-2013 Cycle

The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Annual Improvements to HKFRSs 2012-2014 Cycle (Continued)

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for the periods beginning on or after 1st January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 *Interim Financial Reporting*.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in accumulated losses at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

2. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the directors of the Company, being the CODM, for the purpose of resource allocation and performance assessment between segments and that are used to make strategic decisions.

The Group has five reportable segments – hotel and gaming service operations, gaming promotion operations, film related business operations, property development operations and Nam Pei Hong operations. The segmentations are based on the information about the operations of the Group that management uses to make decisions.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different markets and requires different marketing strategies.

The principal products and services of each of these operations are as follows:

Hotel and gaming service operations	–	Provision of hotel services, food and beverage operation services, gaming operation services and related gaming promotion business in Hotel Lan Kwai Fong Macau
Gaming promotion operations	–	Investing in operations which receive profit streams from the gaming promotion business
Film related business operations	–	Production and distribution of films and television drama series and provision of other film related services including artist management services
Property development operations	–	Investing and development of properties located in Hong Kong and Macau
Nam Pei Hong operations	–	Sales of Chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesalers and retailer as well as Chinese clinical services

2. SEGMENT INFORMATION (CONTINUED)

Segment information about these businesses is presented as below:

(a) An analysis of the Group's revenue and results by operating segments

	Segment revenue		Segment results	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***
Hotel and gaming service operations	**1,169,474**	1,240,253	**236,528**	215,789
Gaming promotion operations	**4,740**	6,836	**(9,629)**	(37,102)
Film related business operations	**2,267**	641	**(3,702)**	(4,673)
Property development operations	**173**	45	**(2,732)**	(2,716)
Nam Pei Hong operations	**106,943**	156,854	**361**	(2,680)
	1,283,597	1,404,629	**220,826**	168,618
Reconciliation from segment results to profit before tax				
Unallocated corporate income			**39,342**	1,186
Gain arising on change in fair value of financial assets classified as held for trading investments			**8,110**	6,050
Unallocated corporate expenses			**(58,427)**	(85,070)
Profit before tax			**209,851**	90,784

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit/(loss) earned/(suffered) by each segment without allocation of central administration costs, partial finance costs, share-based payment expenses, loss on disposal of subsidiaries and share of losses of joint ventures under the heading of "unallocated corporate expenses", partial other revenue and other income under the heading of "unallocated corporate income" and gain arising on change in fair value of financial assets classified as held for trading investments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

2. SEGMENT INFORMATION (CONTINUED)

(b) An analysis of the Group's financial position by operating segments

	2014	2013
	HK$'000	*HK$'000*
ASSETS		
Segment assets		
– Hotel and gaming service operations	**1,097,046**	1,409,441
– Gaming promotion operations	**91,594**	24,967
– Film related business operations	**104,282**	29,467
– Property development operations	**658,580**	739,651
– Nam Pei Hong operations	**123,026**	123,938
Total segment assets	**2,074,528**	2,327,464
Unallocated assets	**1,384,267**	292,109
	3,458,795	2,619,573

	2014	2013
	HK$'000	*HK$'000*
LIABILITIES		
Segment liabilities		
– Hotel and gaming service operations	**388,210**	485,842
– Gaming promotion operations	**5**	5
– Film related business operations	**16,016**	8,120
– Property development operations	**2,952**	2,150
– Nam Pei Hong operations	**27,537**	33,251
Total segment liabilities	**434,720**	529,368
Unallocated liabilities	**102,418**	457,719
	537,138	987,087

For the purposes of resource allocation and performance assessment between segments:

- all assets are allocated to reportable segments, other than interests in joint ventures, partial deposits, prepayments and other receivables, held for trading investments, loan receivables, prepaid tax, partial cash and bank balances, partial property, plant and equipment and interests in leasehold land for central administrative purposes; and

- all liabilities are allocated to reportable segments, other than convertible bonds, partial obligations under finance leases, partial deposits received, accruals and other payables, deferred tax liabilities, amounts due to joint ventures and amounts due to non-controlling interests.

2. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

	Hotel and gaming service operations		Gaming promotion operations		Film related business operations		Property development operations		Nam Pei Hong operations		Unallocated		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment results or segment assets:														
Amortisation of intangible assets	–	–	–	–	–	–	–	–	610	1,226	–	–	610	1,226
Amortisation of interests in leasehold land	21,055	20,992	–	–	–	–	–	–	–	–	1,873	1,875	22,928	22,867
Bargain purchase gain recognised in a business combination	–	–	–	–	–	–	–	–	–	–	3,072	–	3,072	–
Depreciation of property, plant and equipment	68,114	82,805	–	–	–	–	2,360	1,867	1,126	1,147	2,691	2,356	74,291	88,175
Impairment loss recognised in respect of film rights	–	–	–	–	2,939	289	–	–	–	–	–	–	2,939	289
Impairment loss recognised in respect of films in progress	–	–	–	–	40	1,050	–	–	–	–	–	–	40	1,050
Impairment loss recognised in respect of goodwill	–	911	–	–	–	–	–	–	–	–	–	–	–	911
Impairment loss recognised in respect of intangible assets	–	–	13,177	42,727	–	–	–	–	–	–	–	–	13,177	42,727
Impairment loss recognised in respect of deposits, prepayment, and other receivables	–	42	–	–	1,656	3,406	–	–	–	–	–	–	1,656	3,448
Loss/(gain) on disposal of property, plant and equipment	699	1,898	–	–	–	–	–	–	–	66	–	(98)	699	1,866
Loss on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	388	1,174	388	1,174
Loss on fair value change of investment property	–	–	–	–	–	–	–	267	–	–	–	–	–	267
Additions to non-current assets (other than financial instruments)*	17,744	29,116	–	–	–	–	638	164,146	7,718	1,589	1,282	1,655	27,382	196,506
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:														
Interests in joint ventures	–	–	–	–	–	–	–	–	–	–	113	28,317	113	28,317
Interest income	875	2,345	20	–	1	45	87	254	4	8	36,597	1,028	37,584	3,680
Finance costs	11,524	13,284	–	–	–	–	20	42	193	458	4,602	27,647	16,339	41,431
Share of losses of joint ventures	–	–	–	–	–	–	–	–	–	–	530	322	530	322

* Additions to non-current assets consist of additions to property, plant and equipment, interests in leasehold land and investment property.

2. SEGMENT INFORMATION (CONTINUED)

(d) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2014	2013
	HK$'000	*HK$'000*
Hotel and gaming service operations		
Customer A	**1,016,488**	1,095,520

No other customers contributed 10% or more to the Group's revenue for both years.

(e) Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current assets is based on the physical location of the assets.

	Revenue from external customers		**Non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**106,043**	154,398	**176,715**	278,238
Macau	**1,175,980**	1,248,578	**810,482**	898,614
Other than Hong Kong and Macau	**1,574**	1,653	**1**	3
	1,283,597	1,404,629	**987,198**	1,176,855

3. REVENUE

	2014	2013
	HK$'000	*HK$'000*
Hotel accommodation income	**114,203**	110,652
Food and beverage sales	**38,782**	34,081
Service income from mass market table gaming operations	**917,930**	927,417
Service income from VIP rooms table gaming operations	**82,695**	155,898
Service income from slot machines operations	**15,864**	12,205
Receive profit streams from gaming promotion business	**4,740**	6,836
Film distribution fee income	**1,923**	641
Artist management service income	**344**	–
Gross rental income	**173**	45
Sales of health products	**106,943**	156,854
	1,283,597	1,404,629

4. OTHER REVENUE

	2014	2013
	HK$'000	*HK$'000*
Interest income	**37,584**	3,680
Management fee income	**559**	957
Other ancillary hotel revenue	**12,746**	9,777
	50,889	14,414

5. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Net foreign exchange gain	**70**	855
Bargain purchase gain recognised in a business combination	**3,072**	–
Others	**137**	236
	3,279	1,091

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings – wholly repayable within five years	**11,719**	13,756
Finance leases	**20**	31
Imputed interest on convertible bonds	**4,600**	27,644
	16,339	41,431

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	2014	2013
	HK$'000	*HK$'000*
Amortisation of interests in leasehold land	**22,928**	22,867
Amortisation of intangible assets	**610**	1,226
Amortisation of film rights (included in cost of sales)	**337**	–
Auditors' remuneration	**1,254**	1,273
Cost of inventories sold (included in cost of sales)	**83,900**	114,851
Depreciation of property, plant and equipment	**74,291**	88,175
Employee benefit expenses	**169,919**	172,181
Impairment loss recognised in respect of deposits, prepayment and other receivables (included in other operating expenses)	**1,656**	3,448
Impairment loss recognised in respect of film rights (included in other operating expenses)	**2,939**	289
Impairment loss recognised in respect of films in progress (included in other operating expenses)	**40**	1,050
Impairment loss recognised in respect of goodwill (included in other operating expenses)	**–**	911
Impairment loss recognised in respect of intangible assets (included in other operating expenses)	**13,177**	42,727
Loss on disposal of property, plant and equipment	**699**	1,866
Loss on disposal of subsidiaries (included in other operating expenses)	**388**	1,174
Loss on fair value change of investment property (included in other operating expenses)	**–**	267
Gain on disposal of financial assets classified as held for trading investments	**(18,798)**	(1,109)
Loss/(gain) arising on change in fair value of financial assets classified as held for trading investments	**10,688**	(4,941)
Operating lease rental in respect of premises	**13,068**	20,252
Share-based payment expenses in respect of consultancy services	**–**	3,361
Write-down of obsolete inventories	**171**	–
Gross rental income from investment property	**(173)**	(45)
Less: Direct operating expenses incurred for investment property that did not generate rental income during the year	**39**	10
	(134)	(35)

8. INCOME TAX CREDIT

	2014	2013
	HK$'000	*HK$'000*
The income tax credit is as follow:		
Deferred tax:		
Current year	**160**	555
Total income tax credit for the year	**160**	555

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. The People's Republic of China (the "PRC") subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. Macau subsidiaries are subject to Macau Complementary Tax at the maximum progressive rate of 12% on the estimated assessable profit for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made for both years as the Group have no assessable profits arising in Hong Kong or taxable profits were wholly absorbed by estimated tax losses brought forward.

No provision for Macau Complementary Tax has been made for both years as the Group has no assessable profit arising in Macau.

No provision for PRC Enterprise Income Tax has been made for both years as the Group have no assessable profits arising in the PRC.

9. DIVIDEND AND DISTRIBUTION

Dividend

No final dividend was paid or proposed during the year, nor any dividend been proposed by the Board subsequent to the end of the reporting period.

Distribution

	2014	2013
	HK$'000	*HK$'000*
Special distribution made out in 2013		
– HK4 cents per share on 3,502,888,015 shares held by shareholders	–	140,116
– HK4 cents per share on 1,947,024,934 new shares to be issued to the holders of bonus convertible bonds	–	77,880
	–	217,996

No distribution was proposed to be made out of the contributed surplus account of the Company during the year ended 31st December 2014, nor any distribution been proposed to be made out by the Board subsequent to the end of the reporting period.

The special distribution made out in 2013 was made out of the contributed surplus account of the Company to the shareholders whose names appear on the Company's register of member on 6th May 2013.

According to the deed poll of the bonus convertible bonds, the holders of the bonus convertible bonds also entitled to the special distribution as if their outstanding bonus convertible bonds had been converted on 6th May 2013.

10. EARNINGS PER SHARE

The computations of basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	2014	2013
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**209,665**	93,817
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds, net of income tax	**–**	23,083
Earnings for the purpose of diluted earnings per share	**209,665**	116,900

	2014	2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**13,021,347**	3,850,659
Effect of dilutive potential ordinary shares:		
Share options	**–**	191,024
Convertible bonds	**–**	2,952,262
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**13,021,347**	6,993,945

Pursuant to the deed poll of the bonus convertible bonds, the bonus convertible bonds will confer the holders with the same economic interests attached to the shareholders of the Company. Accordingly, 26,507,961 (2013: 18,967,440) fully paid ordinary share of HK$0.01 each which shall be convertible from an aggregated amount of approximately HK$265,000 (2013: HK$190,000) outstanding bonus convertible bonds are included in the weighted average number of ordinary shares for calculating the basic earnings per share for the year ended 31st December 2014 and 31st December 2013.

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic earnings per share calculation for the year ended 31st December 2014, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted earnings per share.

11. TRADE RECEIVABLES

The Group's trade receivables arose from (i) hotel and gaming service, (ii) gaming promotion, (iii) film related business and (iv) Nam Pei Hong operations for the year.

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables from:		
– Hotel and gaming service	**110,960**	272,165
– Gaming promotion	**368**	492
– Film related business	**2,784**	3,496
– Nam Pei Hong operations	**3,089**	4,376
	117,201	280,529
Less: Allowance for doubtful debts	**(1,565)**	(1,611)
	115,636	278,918

The following is an aging analysis of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates and net of allowance for doubtful debts:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**112,716**	274,691
31 to 60 days	**889**	2,153
61 to 90 days	**92**	149
Over 90 days	**1,939**	1,925
	115,636	278,918

The average credit period granted to customers ranges from 30 to 90 days.

At 31st December 2014, trade receivables with the amounts of approximately HK$109,955,000 (2013: HK$270,781,000) is due from the Group's two largest customers. There are no other customers who represent more than 5% of the total balance of trade receivables.

11. TRADE RECEIVABLES (CONTINUED)

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
At 1st January	**1,611**	1,595
Foreign exchange translation (gain)/loss	**(46)**	16
At 31st December	**1,565**	1,611

Trade receivables disclosed above include amounts (see below for aging analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The following is an aging analysis of trade receivables which are past due but not impaired:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Over 90 days	**1,939**	1,925

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposit paid for investment with the amount of HK$600,000,000 represented cash deposit paid by the Group in respect of acquisition of the entire equity interest of Protective Capital Group Limited pursuant to a conditional sale and purchase agreement.

13. LOAN RECEIVABLES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**600,000**	–

Loan receivables are interest bearing at 10% per annum and repayable on the date falling 24 months from the first drawdown date. Loan receivables are secured by the personal guarantees of the sole beneficial owner and the director of the respective borrowers and contain a clause of repayable on demand and thus classified as current assets.

14. TRADE PAYABLES

The Group's trade payables arose from (i) hotel and gaming service, (ii) film related business and (iii) Nam Pei Hong operations for the year.

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Trade payables from:		
– Hotel and gaming service	**28,265**	82,538
– Film related business	**3,709**	3,822
– Nam Pei Hong operations	**7,162**	12,007
	39,136	98,367

The following is an aging analysis of trade payables, based on the invoice date:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**13,331**	77,436
31 to 60 days	**3,438**	3,912
61 to 90 days	**164**	192
Over 90 days	**22,203**	16,827
	39,136	98,367

The average credit period granted by suppliers ranges from 30 to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31st December 2014, the Group's revenue decreased by 9% to approximately HK$1,283,597,000 (2013: HK$1,404,629,000).

Profit from operations increased by 71% to approximately HK$226,720,000 (2013: HK$132,537,000).

Profit for the year increased by 130% to approximately HK$210,011,000 (2013: HK$91,339,000). Such increase is mainly attributable to (i) substantial decrease in impairment loss recognised in respect of the intangible assets of the gaming promotion operations to HK$13,177,000 from HK$42,727,000 in the previous year; (ii) increase in other revenue to HK$50,889,000 from HK$14,414,000 in the previous year which majority included increase in loan interest income; (iii) decrease in administrative expenses to HK$397,562,000 from HK$445,749,000 in the previous year which mainly included decrease in depreciation of property, plant and equipment, decrease in casino management fees and the absence of share-based payment expenses this year; and (vi) decrease in finance costs to HK$16,339,000 from HK$41,431,000 in the previous year which mainly caused by the full conversion of the outstanding 8% convertible bonds of the Company into shares of the Company on 31st March 2014 and thus decreased the interest expenses for the year ended 31st December 2014. The effect of such increase is partially offset by decrease in gross profit to HK$650,142,000 from HK$683,712,000 in the previous year due to decrease in revenue.

The profit attributable to owners of the Company for the year ended 31st December 2014 increased by 123% to approximately HK$209,665,000 (2013: HK$93,817,000).

DIVIDEND AND DISTRIBUTION

The directors do not recommend the payment of a final dividend for the year ended 31st December 2014 (2013: nil).

During the year ended 31st December 2013, the Board proposed and paid a special distribution out of the contributed surplus account of the Company of HK4 cents per share to the shareholders and the bonus convertible bonds holders of the Company whose names appear on the registers of member and convertible bonds holders of the Company respectively on 6th May 2013, amounted to an aggregate of HK$217,996,000.

BUSINESS REVIEW

The Group has five reportable segments – (1) hotel and gaming service operations; (2) gaming promotion operations; (3) film related business operations; (4) property development operations; and (5) Nam Pei Hong operations.

Of the total revenue for the year, HK$1,169,474,000 or 91% was generated from hotel and gaming service operations, HK$4,740,000 or 1% was generated from gaming promotion operations, HK$2,267,000 or 0% was generated from film related business operations, HK$173,000 or 0% was generated from property development operations and HK$106,943,000 or 8% was generated from Nam Pei Hong operations.

Hotel and Gaming Service Operations

Hotel and gaming service operations included the hotel operation in Hotel Lan Kwai Fong Macau ("Lan Kwai Fong") which was recorded in an indirect wholly owned subsidiary of the Company, Hotel Lan Kwai Fong (Macau) Limited ("Hotel LKF"); services provided to the casino situated in Lan Kwai Fong (the "Casino LKF") which was recorded in an indirect wholly owned subsidiary of the Company, Classic Management & Services Company Limited ("Classic") and other ancillary services provided in Lan Kwai Fong. Lan Kwai Fong presents a total of 209 guest rooms, casino situated in the ground, first and 18th floor, restaurants, flower shop, retail shop, spa and medical clinic.

Casino LKF is run by license holder Sociedade de Jogos de Macau, S.A. ("SJM"). Classic has entered into service and site license agreements with SJM. Under the agreements, Classic has granted to SJM a right to occupy and use spaces in Lan Kwai Fong to operate Casino LKF and Classic is responsible for the provision of marketing, promotion, publicity, customer development and introduction, co-ordination of activities and other services as agreed between Classic and SJM from time to time in Casino LKF. In return, Classic will shared a fixed percentage of service income from SJM based on the monthly gross gaming wins of the mass market and VIP table gaming and slot machines in Casino LKF. Casino LKF operates a total of 84 gaming tables, targeting both for the VIP rooms table gaming and the mass market table gaming. It also operates a total of 108 slot machines.

During the short 5-year period since launching, Lan Kwai Fong has been awarded with several international accolades, which included the "5th China Hotel Starlight Awards 2009 – Best Designed Boutique Hotel of China" and the "2012 TripAdvisor Travelers' Choice – Top 25 Trendiest Hotels in China". In respect of promoting the notion of environmental protection, Lan Kwai Fong has won the "AHF Asia Awards 2010 – Leading Green Hotel of Asia" and the "Macao Green Hotel Award 2010 – Bronze Award".

The Group had shared revenue and segment profit of approximately HK$1,169,474,000 (2013: HK$1,240,253,000) and HK$236,528,000 (2013: HK$215,789,000) from the hotel and gaming service operations, a decrease of 6% and an increase of 10% respectively. Revenue in the hotel and gaming service operations mainly comprised of hotel accommodation income of HK$114,203,000 (2013: HK$110,652,000), food and beverage sales of HK$38,782,000 (2013: HK$34,081,000), services income received from mass market table gaming, VIP rooms table gaming and slot machines of HK$917,930,000 (2013: HK$927,417,000), HK$82,695,000 (2013: HK$155,898,000) and HK$15,864,000 (2013: HK$12,205,000) respectively. The average monthly revenue from the hotel and gaming service operations decreased to approximately HK$97,456,000 per month from HK$103,354,000 per month in the previous year, mainly reflecting 1% decrease in monthly service income from mass market table gaming to HK$76,494,000 per month from HK$77,285,000 per month in the previous year and 47% decrease in monthly service income from VIP rooms table gaming to HK$6,891,000 per month from HK$12,992,000 per month in the previous year. Besides, the occupancy rate of Hotel LKF during the year increased by 2% to an average of about 98%.

Mass market table gaming operations are more profitable than VIP rooms table gaming operations and thus Casino LKF had spent resources to expand its market share in the mass market table gaming operations and targeted the high end customers in the mass market table gaming in years before and was continued proved to be successful during this year. Although the gaming industry in Macau has showed a decline in the gaming revenue from game of fortune of 2.6% to approximately MOP344 billion in the year 2014, revenue from Casino LKF can still maintain similar level as last year and get better segment profits, increased by 10% in the year 2014, by proper cost control measures on cost of sales and other expenses in the hotel and gaming service operations.

Gaming Promotion Operations

The Group had shared revenue and segment loss of approximately HK$4,740,000 (2013: HK$6,836,000) and HK$9,629,000 (2013: HK$37,102,000) from the gaming promotion operations, decrease of 31% and 74% respectively.

Since years before, the revenue in sharing of profit streams from investments in the profit receiving company, Ocho Sociedade Unipessoal Limitada ("Ocho"), one of the gaming promoters at one of the VIP rooms at the Grand Lisboa Casino in Macau had apparently decreased. One of the characteristic of the VIP rooms table gaming is that the majority of the business volume is highly volatile. Ocho had lost its competitive advantage as it cannot offer a better than market commission to its quality sub-junkets or customers as they were attracted by other large and well equipped new hotels and casinos in Macau. The decrease in revenue sharing also impact and decrease the expected cash inflow from this operation and thus impairment loss in respect of the intangible assets of HK$13,177,000 (2013: HK$42,727,000) was recognised. This impairment was based on the recoverable amount of intangible assets by reference to the valuation report issued by a firm of independent qualified professional valuers using discounted cash flow method each year. The decrease in segment loss was due to the decrease in impairment loss recognised in this year.

Film Related Business Operations

Film related business operations included production and distribution of films and television drama series and provision of other film related services including artists management services.

In year 2014, revenue from film related business operations amounted to HK$2,267,000 (2013: HK$641,000) and its segment loss amounted to HK$3,702,000 (2013: HK$4,673,000). The segment loss was mainly attributable to impairment loss recognised in respect of film related business operations of HK$4,635,000 (2013: HK$4,745,000).

During the year, the Group did not distributed any new film. The Group will produce a film which is tentatively known as "League of Gods 封神傳奇". The film has commenced shooting in January 2015 and will tentatively planned to be on screen in the beginning of year 2016.

Property Development Operations

Property development operations included investing and development of properties in Macau and Hong Kong. Development of properties in Macau represented sales of properties located in Macau after the completion of the acquisition of the property leasehold right over Lot 6B, Lot 6C, Lot 6D and Lot 6E, located in Macau at Zona de Aterros do Porto Exterior (ZAPE) (the "Sites"). The Sites was plan to develope into commercial units and residential apartments for sale. The development plan of the Sites is in the process of seeking approval from the relevant authority.

On 21st November 2014, the Group entered into a legally binding letter of intent for the Proposed Disposal (as defined below) of the entire equity interest of Triumph Top Limited, a wholly owned subsidiary of the Company which indirectly hold the property leasehold right over the Sites and a sale loan amounted to approximately HK$573,876,000 at an initial consideration of HK$2,230,000,000 less accruals and other liabilities at completion and a bonus consideration based on the total permissible construction floor area on the Sites. In consideration of the acceptable return, the Group has decided to realise its investment return in the Sites. As at 31st December 2014, the Proposed Disposal has not yet completed. On 25th March 2015, the Company entered into the Deed (as defined below) to terminate the Disposal Agreement (as defined below). The Company has decided to develop the Sites itself.

In year 2014, the Group had disposed properties located at the Ground Floor and its Cockloft of Nos. 1 and 3 Mercer Street, Hong Kong. The Company considers that the disposal represented an opportunity for realisation of the Group's investment in the property market having considered the recent market sentiments towards property investment in Hong Kong. 4th Floor of Nos. 1 and 3 Mercer Street, Hong Kong is rent out for investment purpose. The Group is considering the usage of properties located at the Ground Floor and its Cockloft and First Floor of Nos 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong.

In year 2014, revenue from property development operations amounted to HK$173,000 (2013: HK$45,000) which represented rental income received and its segment loss amounted to approximately HK$2,732,000 (2013: HK$2,716,000).

Nam Pei Hong Operations

Nam Pei Hong operations included sales of Chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesalers and retailers as well as Chinese clinical services. One of the subsidiary, Nam Pei Hong Sum Yung Drugs Company Limited ("Nam Pei Hong") has engaged in the business of trading and retail of "Sum Yung" and dried seafood products since 1977 and the brand name of "Nam Pei Hong" is highly recognised in Hong Kong and Southern Mainland China.

On 11th June 2014, due to the difference in business perspectives among the Group and the other investors, the operational efficiency and performance of Nam Pei Hong operations fell short of the expectation of the Group, and the Group decided to dispose of all its 50% equity interest in the subsidiaries engaged in Nam Pei Hong operations.

On 20th November 2014, the Group acquired 100% equity interest in the subsidiaries engaged in Nam Pei Hong operations as the former purchaser had informed the Group that it was unable to pay balance of the consideration and it is willing to dispose of its entire equity interests to the Group for the same consideration. Given that (a) upon completion of the acquisition, the Group would have full control on the management and operation of Nam Pei Hong operations; (b) by having full control, the Group can then have greater flexibility to introduce new expansion plans for Nam Pei Hong operations which is believed to be beneficial for the future growth and development of Nam Pei Hong operations in the long run; and (c) in view of the increasing awareness in health and the aging population in Hong Kong as well as the continuous growth in the number of visitors from the PRC, the prospects of the sales of Chinese health products business is positive, it is expected that, the performance of Nam Pei Hong operations can be improved with better operational efficiency and effective cost control measures. As such, the directors consider that the acquisition will enable the Group to re-enter into the sales of Chinese health products business, so as to diversify the business portfolio of the Group and to broaden the Group's source of income, and to enhance potential positive contribution to the Group.

In year 2014 (excluding period from 11th June 2014 to 20th November 2014), the Group had shared revenue of approximately HK$106,943,000 (2013: HK$156,854,000) and segment profit of approximately HK$361,000 (2013: segment loss of HK$2,680,000).

Geographical Segments

For the geographical segments, revenue of HK$106,043,000 or 8% (2013: HK$154,398,000 or 11%) was sourced from Hong Kong, HK$1,175,980,000 or 92% (2013: HK$1,248,578,000 or 89%) was sourced from Macau and HK$1,574,000 or 0% (2013: HK$1,653,000 or 0%) was sourced from other territories, of which revenue from hotel and gaming service operations and gaming promotion operations are mainly sourced from Macau and revenue from Nam Pei Hong operations and property development operations are mainly sourced from Hong Kong.

Administrative Expenses

For the year ended 31st December 2014, administrative expenses amounted to HK$397,562,000 (2013: HK$445,749,000), representing a 11% decrease. The decrease was mainly attributable to the decrease in depreciation on property, plant and equipment, share-based payment expenses and casino management fees paid by Casino LKF during the year. Such casino management fees decreased because it was based on a fixed percentage of service income from VIP rooms table gaming that had decreased by 47% from the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2014, the Group had total assets of approximately HK$3,458,795,000 and a net current assets of HK$2,018,548,000, representing a current ratio of 5.5 (2013: 5.6). The Group had cash and bank balances of approximately HK$323,939,000 (2013: HK$390,241,000). As at 31st December 2014, the Group had total borrowings of HK$316,885,000 which comprised a secured bank term loan with remaining balance of HK$300,000,000 (the "Term Loan"), unsecured bank loans in aggregate amount of HK$15,819,000 and obligations under finance leases of HK$1,066,000.

The Term Loan was secured by the Group's leasehold land and buildings with carrying amount of HK$610,706,000, interest bearing at 1.75% per annum below the Hong Kong Prime rate quoted by the bank and repayable by remaining of 3 equal consecutive quarterly installments of HK$12,500,000 each and a final repayment for the remaining balance of HK$262,500,000. The unsecured bank loans comprised import trade loans of HK$14,468,000 (the "Import Loan") and a unsecured bank loan of HK$1,351,000 (the "Government Loan") granted under the Special Loan Guarantee Scheme of the Government of HKSAR. The Import Loan was interest bearing at 2% per annum over one month Hong Kong Inter-bank Offered Rate ("HIBOR"), repayable on demand and guaranteed by an ex-shareholder of a subsidiary of the Company. The Government Loan was interest bearing at 2.5% per annum over one month HIBOR and repayable by remaining of 11 monthly instalments. The Government Loan was 80% guaranteed by the Government of HKSAR and jointly guaranteed by the Company and an ex-shareholder of a subsidiary of the Company.

As at 31st December 2014, the Group had banking facilities amounting to HK$552,000,000 which were utilised to the extent of HK$520,468,000. The Group's gearing was acceptable during the year with total debts of HK$316,885,000 against owners' equity of HK$2,922,083,000. This represents a gearing ratio, calculated in the basis of the Group's total borrowings over owners' equity of 11% (2013: 36%).

As at 31st December 2014, capital expenditure commitments by the Group amounted to approximately HK$37,816,000, which comprised HK$28,615,000 as professional fees for the preparation of the development plan of the Sites and HK$9,201,000 as purchase of property, plant and equipment.

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong Dollars, Macau Pataca, United States Dollars and Renminbi, the exposure to fluctuation in exchange rates was considered to be minimal and no hedge activity were considered necessary. As at 31st December 2014, the Group had no material contingent liability.

On 31st December 2013, the Company and Eternity Investment Limited entered into a supplemental agreement pursuant to which both parties agreed to further extend the completion date of the second tranche subscription for convertible bonds in the principal amount of HK$300 million from 31st December 2013 to 31st December 2015. On 31st March 2014, the remaining balance of HK$225 million convertible bonds in first tranche were fully converted into 2,045,454,545 shares at the adjusted convertible price of HK$0.11 per share.

On 22nd January 2014, 2,626,923,658 offer shares were allotted and issued at a subscription price of HK$0.125 per share under an open offer (the "Open Offer") announced by the Company on 18th November 2013. The estimated net proceeds of approximately HK$324,470,000 were intended to be used for property investment in Hong Kong and/or Macau when suitable opportunity arises. On 4th April 2014, the Board allocated the net proceeds of approximately HK$200 million to be used for financing Loan I (as defined below) and the remaining balance of approximately HK$124.47 million to be used for investment in gaming/gaming related business and/or general working capital of the Company. On 8th April 2014, HK$200 million has been utilised as reallocated upon drawing of the Loan I. On 24th August 2014, the remaining balance of approximately HK$124.47 million has been utilised as reallocated upon the drawing of Loan II (as defined below).

On 22nd January 2014, 7,540,521 units of new bonus convertible bonds (the "New Bonus CBs") in the principal amount of HK$75,405.21 were issued by the Company. The net proceeds of approximately HK$75,000 were intended to be used as general working capital of the Group and have been utilised as intended.

On 23rd April 2014, the Company allotted and issued 3,200,000,000 new shares of HK$0.01 each at a price of HK$0.125 per share by placing of new shares under a specific mandate obtained in a special general meeting of the Company held on 24th March 2014 (the "Placing"). The net proceeds of approximately HK$395,470,000 were intended to be used for the Proposed Acquisition (as defined below) and were utilised as intended.

On 4th April 2014, a loan agreement was entered into between Classic Champion Holdings Limited ("Classic Champion"), a wholly owned subsidiary of the Company as lender and a junket company which engaged in gaming promotion business in Macau (the "Junket Company I") as borrower pursuant to which Classic Champion has conditionally agreed to grant the Junket Company I a loan of HK$200.00 million (the "Loan I") for a term of 24 months from the date of drawdown at the interest rate of 10%

per annum. The sole beneficial owner and director of the Junket Company I has given his personal guarantee to the Loan I. In addition, he has undertaken, among others, not to sell, transfer or otherwise dispose of or create any third party rights on any of his interests in the Junket Company I. The Loan I was drawn on 8th April 2014 and was wholly financed by part of net proceeds from the Open Offer. The Group considered that the Loan I provided the Group with a long period of time to negotiate the terms and conditions of acquisition of the Junket Company I exclusively, if a decision in acquiring the Junket Company I is made.

On 17th April 2014, a loan agreement was entered into between Classic Champion as lender and a junket company which engaged in gaming promotion business in Macau (the "Junket Company II") as borrower pursuant to which Classic Champion has conditionally agreed to grant the Junket Company II a loan of HK$200.00 million (the "Loan II") for a term of 24 months from the date of drawdown at the interest rate of 10% per annum. The sole beneficial owner and director of the Junket Company II has given his personal guarantee to the Loan II. In addition, he has undertaken, among others, not to sell, transfer or otherwise dispose of or create any third party rights on any of his interests in the Junket Company II. The Loan II was drawn on 28th April 2014 and approximately HK$124.47 million was financed by part of the net proceeds from the Open Offer and approximately HK$75.53 million was financed by the internal resources of the Group. The Group considered that the Loan II provided the Group with a long period of time to negotiate the terms and conditions of acquisition of the Junket Company II exclusively, if a decision in acquiring the Junket Company II is made.

On 8th July 2014, the Company entered into a subscription agreement ("CB Subscription Agreement") with Mr. Mung Kin Keung, an executive director and a co-chairman of the Company ("Mr. Mung") pursuant to which the Company has conditionally agreed to issue and Mr. Mung has conditionally agreed to subscribe for convertible bonds of the Company in an aggregate principal amount of up to HK$405.00 million by a maximum of five tranches during the period of 36 months commencing from the date of the special general meeting of the Company approving, among other, the issue of the convertible bonds. On 18th November 2014, the Company and Mr. Mung entered into a deed of termination, pursuant to which, the Company and Mr. Mung mutually irrevocably and unconditionally agreed that, on and with effect from 18th November 2014, the CB Subscription Agreement shall terminate and cease to have any effect.

On 17th July 2014, a loan agreement was entered into between Classic Champion as lender and a junket company which engaged in gaming promotion business in Macau (the "Junket Company III") as borrower pursuant to which Classic Champion has conditionally agreed to grant the Junket Company III a loan of HK$200.00 million (the "Loan III") for a term of 24 months from the date of first drawdown at the interest rate of 10% per annum. The sole beneficial owner and director of the Junket Company III has given his personal guarantee to the Loan III. In addition, he has undertaken, among others, not to sell, transfer or otherwise dispose of or create any third party rights on any of his interests in the Junket Company III. HK$100.00 million of the Loan III was drawn on 21st July 2014 and the remaining HK$100.00 million was drawn on 29th September

2014. The Loan III was financed by the internal resources of the Group. The Group considered that the Loan III provided the Group with a long period of time to negotiate the terms and conditions of acquisition of the Junket Company III exclusively, if a decision in acquiring the Junket Company III is made.

On 14th November 2014, the Company allotted and issued 1,500,000,000 new shares at a subscription price of HK$0.09 per share to Long Joy Investment Limited, a wholly owned subsidiary of Well Way Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") under a special mandate granted on a special general meeting held on 29th September 2014. The net proceeds of approximately HK$134.30 million were intended to be used for the investment in gaming/gaming-related business in Macau to be identified by the Board in future. On 12th December 2014, in order to increase the Group's flexibility in its financial and treasury management and to code with the continuing development of the other business of the Group, the Board has resolved to allocate the net proceeds for immediate business operation requirements, in particular, the production of new film and general working capital of the Group. As at 31st December 2014, approximately HK$36 million were used in film production as intended and the remaining balance of approximately HK$98.30 million was unused.

During the year ended 31st December 2014, no share options of the Company were exercised and 241,052 options were expired.

MATERIAL ACQUISITIONS AND DISPOSALS

Acquisition of Protective Capital Group Limited

On 25th February 2014, Classic Champion and Mr. Kam Lap Sing, Kelvin, on independent third party of the Company (the "Vendor") entered into a conditional sale and purchase agreement ("the "Agreement"), pursuant to which Classic Champion has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the entire issued share capital of Protective Capital Group Limited ("Protective") and a sale loan (amounted to HK$20 million at the date of the Agreement) owned by Eight Elements Entertainment Limited ("Eight Elements") upon completion for aggregate consideration of HK$800 million which shall be settled by Classic Champion: (a) as to HK$300 million in cash as initial deposit upon the signing of the Agreement ("1st Deposit"); (b) as to HK$300 million in cash on 24th April 2014 or upon completion of the Agreement, whichever is earlier ("2nd Deposit"); and (c) the balance of HK$200 million by procuring the Company to issue a promissory note to the Vendor on completion (the "Proposed Acquisition"). The major assets of Protective is its entitlement to the economic benefits of Eight Elements. Eight Elements is a company incorporated in Macau with limited liability and carrying on gaming promoter operations (being activities undertaken to promote casino games by way of offering transportation, accommodation, food and beverage, entertainment) in exchange for a commission or other compensation paid by the gaming concessionaire in respect of the casino premises of Casino LKF and related businesses in Macau. Particulars of the Proposed Acquisition are disclosed in the announcement of the Company dated 25th February 2014. The

Proposed Acquisition constituted a major transaction of the Company pursuant to the Rules Governing the listing of Securities on the Stock Exchange (the "Listing Rules") and is subject to the approval of the shareholders of the Company. The 1st Deposit and 2nd Deposit were paid on 25th February 2014 and 24th April 2014 respectively and were financed by the net proceeds of the Placing and the internal resources of the Group. Up to the reporting date, the Proposed Acquisition is not yet completed. The long stop date of the Proposed Acquisition has extended to 31st August 2015. The main reason for the Proposed Acquisition is its synergy effect with Classic. If the Hotel Disposal (as defined below) proceeds, this synergy effect will lost and the Company will need to reconsider the benefit for completion of the Proposed Acquisition. Further announcement will be made by the Company when necessary.

Disposal and acquisition of China Star Movie Limited

On 14th April 2014, China Star Entertainment Holding Limited ("CS Holding"), an indirect wholly owned subsidiary of the Company and Dance Star Group Limited ("Dance Star"), a wholly owned subsidiary of China Star Cultural Media Group Limited (formerly known as China Media and Films Holdings Limited) ("China Media Group") entered into a conditional sale and purchase agreement pursuant to which CS Holding has agreed to sell and Dance Star has agreed to purchase the entire equity interest in China Star Movie Limited ("CS Movie") and a sale loan amounted to approximately HK$9,002,000 at an aggregate cash consideration of HK$4,340,000. The principal activity of CS Movie is film production and distribution.

On 7th October 2014, CS Holding and Dance Star entered into a sale and purchase agreement pursuant to which CS Holding has agreed to acquire and Dance Star has agreed to sell the entire equity interest in CS Movie and a sale loan amounted to approximately HK$13,501,000 at an aggregate cash consideration of HK$8,673,253.

It was the intention of the China Media Group and the Group to co-operate in the production of film. Mr. Heung is a renowned figure in Hong Kong and the Greater China film production and distribution industry and has more than 30 years of experience and in-depth knowledge and well established connection in such industries. With Mr. Heung's resignation as an executive director of the China Media Group on 7th October 2014 and cessation of his involvement in the film production business of the China Media Group, the directors consider that the Group should continue its furtherance and development of its already well established film production business and thus acquired all the equity interest of CS Movie.

Disposal of Star Hope Investments Limited

On 6th June 2014, Empowered Century Limited, an indirect wholly owned subsidiary of the Company ("Empowered") and Wing Shan Int'l Limited ("Wing Shan"), a connected person of the Company under Chapter 14A of the Listing Rules entered into an unconditional sale and purchase agreement pursuant to which Empowered has agreed to sell and Wing Shan has agreed to purchase the entire equity interest in Star Hope Investments Limited ("Star Hope") and a sale loan amounted to HK$81,999,878.40 at a total consideration of HK$82,282,048. Star Hope is the legal and beneficial owner of the entire share capital of Well Full Limited and the major assets of Well Full Limited are properties located at Cockloft Floor and the Ground Floor of Nos. 1 and 3 Mercer Street, Hong Kong. The disposal constituted a discloseable and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules but was except from independent shareholders' approval and was completed simultaneously. Upon completion, Star Hope and Well Full Limited ceased to be subsidiaries of the Company and their financial results were no longer be consolidated into the Company's consolidated financial statements. The directors consider that the disposal represented an opportunity for realisation of the Group's investment having considered the recent market sentiments towards property investment in Hong Kong and would enable the Group to focus on its other principal businesses such as the hotel and gaming services operation and other gaming related services businesses in Macau.

Disposal and acquisition of Ace Season Holdings Limited

On 11th June 2014, China Star Entertainment (BVI) Limited, a wholly owned subsidiary of the Company ("CSBVI") entered into an unconditional sale and purchase agreement (the "S&P Agreement") with Attentive Wealth Investments Limited ("Attentive") pursuant to which CSBVI agreed to sell and Attentive agreed to purchase 50% of the equity interest and a sale loan amounted to approximately HK$46,361,858 in Ace Season Holdings Limited ("Ace Season") at a total consideration of HK$45,000,000 which shall be settled in cash by Attentive: (a) as to HK$9 million within two months from date of the S&P Agreement and (b) as to HK$36 million within six months from date of the S&P Agrement. Ace Season is an investment holding company and its major subsidiaries are principally engaged in sales of Chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesalers and retailers as well as Chinese clinical services. The transaction completed simultaneously and thereafter the Group did not hold any equity interest in Ace Season.

On 20th November 2014, CSBVI and Attentive entered into an agreement pursuant to which, CSBVI has agreed to acquire and Attentive has agreed to sell the entire equity interest and a sale loan amounted to approximately HK$92,723,716 in Ace Season at a total consideration of HK$90,000,000. The acquisition also completed simultaneously and the Group become interested in the entire issued share capital of Ace Season and its subsidiaries and their financial results would be consolidated into the Company's consolidated financial statements. The reasons for the arrangement are stated in the section "Business Review" on Nam Pei Hong operations.

The disposal and the acquisition both constituted discloseable transactions of the Company under the Listing Rules.

Disposal of Triumph Top Limited

On 21st November 2014, CSBVI entered into a legally binding letter of intent with Bestmix Holdings Limited (the "Purchaser") for the proposed disposal (the "Proposed Disposal") of the entire equity interest of Triumph Top Limited (the "Target Company") and a sale loan amounted to approximately HK$573,876,000 at an initial consideration of HK$2,230,000,000 less accruals and other liabilities at completion and a bonus consideration based on the total permissible construction floor area on the Sites. China Star Creative Development Limited, an indirect wholly-owned subsidiary of the Target Company, owns the property leasehold right granted by the Macau Government over the Sites. On 12th December 2014, the parties have entered into formal conditional agreement (the "Disposal Agreement"). Please refer to the Company's announcement dated 21st November 2014 and 12th December 2014 for details of the Proposed Disposal. The Proposed Disposal constituted a very substantial disposal transaction of the Company under the Listing Rules. As at 31st December 2014, the Proposed Disposal has not yet completed.

On 25th March 2015 (after trading hours), the Company announced that the parties to the Disposal Agreement entered into a deed of termination (the "Deed"), pursuant to which, the parties to the Disposal Agreement mutually irrevocably and unconditionally agreed that the Proposed Disposal be terminated and cease to have any effect. The reason for the termination of the Disposal Agreement is the anticipated inability to fulfill one of the conditions precedent of the Disposal Agreement. The Company considers that the termination of the Proposed Disposal would not have any material adverse effect on the existing financial position or business operation of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2014, the Group employed 780 staff (2013: 792 staff) with employee benefit expenses of HK$169,919,000 (2013: HK$172,181,000). The directors believe that the quality of its employees is the single most important factor in sustaining the Group's reputation and improving its profitability. The staffs are remunerated based on their work performance, professional experience and prevailing industry practices. Apart from basic salaries, pension fund, housing allowances, meal allowances, medical schemes and discretionary bonuses, share options are awarded to certain staff according to the assessment of individual performance.

EVENT AFTER THE REPORTING DATE

Subsequent to the reporting date, the Group has obtained a new banking facility of HK$1,051,000,000 from a bank which comprises a term loan of HK$1,000,000,000 (the "New Term Loan"), an overdraft credit of HK$50,000,000 and a bank guarantee of HK$1,000,000 which are mainly secured by the Group's leasehold land and buildings with an aggregate carrying value of approximately HK$610,706,000 as at 31st December 2014. The New Term Loan is interest bearing at 1.75% per annum below the Hong Kong Prime rate quoted by the bank and repayable by 31 equal consecutive quarterly installments of HK$30,000,000 each and a final repayment for the remaining balance on the maturity date which is 8 years from the date of first drawdown. HK$287,500,000 of the New Bank Loan is utilised to refinance the outstanding balance of the Term Loan and the remaining balances of HK$712,500,000 will intend to provide working capital for non-gaming operation and shareholders' investment purpose. The New Term Loan was drawn on 20th March 2015 and the Term Loan is terminated on that date.

On 25th March 2015, the Company has entered the Deed to terminate the Disposal Agreement.

Other than disclosed above, there is no other material event after the reporting date.

PROSPECT

Hotel and gaming service operations in Lan Kwai Fong is continued to be the core profit and cash contributor of the Group this year. The successful transformation of Lan Kwai Fong to a boutique hotel that embraces gaming, recreation and tourist accommodation has solidified our role in Macau's hotel and gaming industry. The Company will only consider to realise the investment in Lan Kwai Fong if the investment return is satisfactory to the Group.

On 13th November 2014 and 21st November 2014, the Company announced that it had negotiations with an independent third party relating to a possible disposal (the "Hotel Disposal") of Lan Kwai Fong at consideration of HK$3,750,000,000. The Hotel Disposal is subject to the entering into of formal documentation. If the Hotel Disposal proceeds, it will constitute a very substantial disposal for the Company under the Listing Rules. On 25th March 2015, the Company announced that negotiations on the Hotel Disposal has ceased and such transaction will therefore not proceed.

The Company considered that the Proposed Disposal presents a good opportunity for the Group to realise its investment in the property leasehold rights to the Sites at a profit and releases the Group from incurring further resources to develop the property leasehold rights to the Sites. The Group considered the estimated profit from the Proposed Disposal as acceptable. Following the Group has entered the Deed and the Proposed Disposal will not proceed, the Group decided to develop the Sites itself. Given the superb location of the Sites, the current condition of the Macau properties market and the Group's solid experience in renovation of Lan Kwai Fong, the Group is confident in development of the Sites.

After the restructuring of Ace Season, Nam Pei Hong is the Group's wholly owned subsidiaries and thus the Group can allocate more resources and expertise to explore new products and seeking suitable retail shops for expanding its business. In view of the increasing awareness in health and the aging of population of Hong Kong, demand for health care products, especially Chinese medicine, "Sum Yung" and dried seafood in Hong Kong has grown rapidly in recent years. We envision that the retailing market of the Chinese health products are an enormous potential market for growth, both in China and Hong Kong in years to come. Therefore, the Group is optimistic on the future development of the Nam Pei Hong operations.

The Group will continue its furtherance and development of its already well established film production business and will allocate more resources to film production and will produce a film which is tentatively known as "League of Gods 封神傳奇". The film has commenced shooting in January 2015 and will tentatively plan to be on screen in the beginning of year 2016.

Looking forward, the Group will continue to strive to achieve healthy and stable growth by enhancing profitability, maximize its investment return and diversify its business when suitable opportunity arises.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2014.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is responsible for ensuring high standard of corporate governance are maintained and for accounting to shareholders. The Company has applied the principles and complied with all the applicable code provisions laid down in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Code") for the year ended 31st December 2014, except for the following deviations:

a) Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code; and

b) Under the code provision A.6.7 of the Code, all the independent non-executive directors should attend general meetings. Mr. Ho Wai Chi, Paul, an independent non-executive director of the Company, was not able to attend the annual general meeting of the Company held on 26th June 2014 due to another business engagement.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company comprises Messrs. Hung Cho Sing, Ho Wai Chi, Paul and Tang Chak Lam, Gilbert, all being independent non-executive directors. Mr. Ho Wai Chi, Paul is the chairman of the audit committee.

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's consolidated financial statements for the year ended 31st December 2014.

ADOPTION OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31st December 2014. The Model Code also applies to other specified senior management of the Group.

PUBLICATION OF ANNUAL REPORT

The Company's 2014 annual report will be despatched to the shareholders of the Company on or before 30th April 2015 and will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company's website (www.chinastar.com.hk or www.irasia.com/listco/hk/chinastar).

By Order of the Board
China Star Entertainment Limited

Heung Wah Keung	**Mung Kin Keung**
Co-Chairman	*Co-Chairman*

Hong Kong, 25th March 2015

As at the date of this announcement, the executive directors of the Company are Mr. Heung Wah Keung, Mr. Mung Kin Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung and the independent non-executive directors are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tang Chak Lam, Gilbert.