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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2019**

The board of directors (the “Board”) of China Star Entertainment Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June 2019 together with comparative figures as follows:

#### **CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30th June 2019*

		<b>Six months ended 30th June</b>	
		<b>2019</b>	<b>2018</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Continuing operations</b>			
Revenue	4	<b>1,528</b>	2,966
Cost of sales		<b>–</b>	(45)
		<hr/>	<hr/>
Gross profit		<b>1,528</b>	2,921
Other revenue and other income	5	<b>47,191</b>	38,061
Administrative expenses		<b>(36,367)</b>	(35,964)
Marketing and distribution expenses		<b>(36)</b>	–
Loss arising on change in fair value of financial assets at fair value through profit or loss		<b>(28,758)</b>	(362,291)
Other operating expenses		<b>–</b>	(23,478)
		<hr/>	<hr/>
<b>Loss from operations</b>		<b>(16,442)</b>	(380,751)
Finance costs	6	<b>(224)</b>	(2,835)
Share of result of a joint venture		<b>(274)</b>	(254)
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the six months ended 30th June 2019

		<b>Six months ended 30th June</b>	
		<b>2019</b>	<b>2018</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss before tax</b>	7	<b>(16,940)</b>	(383,840)
Income tax expense	8	<b>(3)</b>	–
		<hr/>	<hr/>
Loss for the period from continuing operations		<b>(16,943)</b>	(383,840)
<b>Discontinued operation</b>	9		
Profit for the period from discontinued operation		–	1,458,855
		<hr/>	<hr/>
<b>(Loss)/profit for the period</b>		<b>(16,943)</b>	1,075,015
		<hr/> <hr/>	<hr/> <hr/>
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		<b>(16,888)</b>	1,075,025
Non-controlling interests		<b>(55)</b>	(10)
		<hr/>	<hr/>
		<b>(16,943)</b>	1,075,015
		<hr/> <hr/>	<hr/> <hr/>
<b>(Loss)/earnings per share</b>	10		
		<b>HK cents</b>	<b>HK cents</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>From continuing and discontinued operations</b>			
Basic and diluted		<b>(0.60)</b>	112.95
		<hr/>	<hr/>
<b>From continuing operations</b>			
Basic and diluted		<b>(0.60)</b>	(40.33)
		<hr/>	<hr/>
<b>From discontinued operation</b>			
Basic and diluted		–	153.28
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2019

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>(Loss)/profit for the period</b>	<u>(16,943)</u>	<u>1,075,015</u>
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified subsequently to the condensed consolidated income statement:</i>		
Exchange differences arising on translation of foreign operations:		
Exchange differences arising during the period	<u>(13)</u>	<u>–</u>
<b>Other comprehensive loss for the period</b>	<u>(13)</u>	<u>–</u>
<b>Total comprehensive (loss)/income for the period</b>	<u><u>(16,956)</u></u>	<u><u>1,075,015</u></u>
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
Owners of the Company	(16,901)	1,075,025
Non-controlling interests	<u>(55)</u>	<u>(10)</u>
	<u><u>(16,956)</u></u>	<u><u>1,075,015</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2019

	At 30th June 2019 <i>HK\$'000</i> (Unaudited)	At 31st December 2018 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>		
Property, plant and equipment	104,657	88,608
Interests in leasehold land	52,472	53,409
Loan to a director	347,924	327,903
Prepayment	18,000	–
Interest in a joint venture	131	270
	523,184	470,190
<b>Current assets</b>		
Stock of properties	2,824,954	2,508,568
Film rights	11,478	11,478
Films in progress	236,050	201,005
Investment in film	29,939	29,939
Deposits, prepayment and other receivables	620,506	451,826
Financial assets at fair value through profit or loss	392,164	453,481
Amount due from a joint venture	135	–
Loan receivables	300,000	200,000
Time deposits	271	269
Cash and bank balances	864,468	1,156,466
	5,279,965	5,013,032
<b>Total assets</b>	5,803,149	5,483,222

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(Continued)**

At 30th June 2019

	<i>Note</i>	<b>At 30th June 2019 HK\$'000 (Unaudited)</b>	At 31st December 2018 HK\$'000 (Audited)
<b>Capital and reserves</b>			
Share capital		27,110	28,011
Reserves		<u>4,317,967</u>	<u>4,403,951</u>
<b>Equity attributable to owners of the Company</b>			
		4,345,077	4,431,962
Non-controlling interests		<u>(180)</u>	<u>(125)</u>
<b>Total equity</b>		<u>4,344,897</u>	<u>4,431,837</u>
<b>Non-current liabilities</b>			
Bank borrowings		758,010	–
Lease liabilities		<u>9,793</u>	<u>–</u>
		<u>767,803</u>	<u>–</u>
<b>Current liabilities</b>			
Trade payables	12	98,093	38,421
Deposits received, accruals and other payables		83,595	509,848
Lease liabilities		5,645	–
Amounts due to non-controlling interests		<u>503,116</u>	<u>503,116</u>
		<u>690,449</u>	<u>1,051,385</u>
<b>Total liabilities</b>		<u>1,458,252</u>	<u>1,051,385</u>
<b>Total equity and liabilities</b>		<u>5,803,149</u>	<u>5,483,222</u>
<b>Net current assets</b>		<u>4,589,516</u>	<u>3,961,647</u>
<b>Total assets less current liabilities</b>		<u>5,112,700</u>	<u>4,431,837</u>

## NOTES:

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group (the “Interim Financial Information”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Interim Financial Information have been prepared in accordance with the same accounting policies applied in 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The Interim Financial Information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since the 2018 annual financial statements. The Interim Financial Information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

The Interim Financial Information have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Interim Financial Information are presented in Hong Kong dollar and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

## 2. APPLICATION OF NEW AND REVISED HKFRSs

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and Interpretations (collectively referred to as the “new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial period beginning from 1st January 2019. A summary of the new and revised HKFRSs applied by the Group is set out as follows:

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

Except for application of HKFRS 16 stated below, the application of other new and revised HKFRSs has no material impact on the Group’s financial performance and financial position for the current and/or prior periods and/or on the disclosure set out in the Interim Financial Information.

The Group has not applied any new and revised HKFRSs that have been issued but not yet effective for the current accounting period.

### **HKFRS 16 *Leases***

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations.

#### **(i) Key changes in accounting policies resulting from application of HKFRS 16**

The Group applied the following accounting policies in accordance with the transition provision of HKFRS 16.

##### ***Definition of a lease***

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

## 2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

### HKFRS 16 Leases (Continued)

#### (i) Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

##### *As a lessee*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *Short-term lease and lease of low-value assets*

The Group applies the short-term lease recognition exemption to leases of machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term lease and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### *Right-of-use assets*

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are presented by the Group as an item of property, plant and equipment.

##### *Leasehold land and building*

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.



## 2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

### HKFRS 16 Leases (Continued)

#### (i) Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

##### *As a lessee (Continued)*

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

## 2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

### HKFRS 16 Leases (Continued)

#### (i) Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

##### *As a lessee (Continued)*

##### *Lease modification*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

##### *Taxation*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease portion of lease liabilities resulting in net deductible temporary differences.

#### (ii) Transition and summary of effects arising from initial application of HKFRS 16

##### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into on or after 1st January 2019, the Group applies the definition of a lease in accordance which requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

## 2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

### HKFRS 16 Leases (Continued)

#### (ii) Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

##### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating lease under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- (iv) use hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK\$18,341,000 and right-of-use assets approximately HK\$18,717,000 at 1st January 2019.

## 2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

### HKFRS 16 Leases (Continued)

#### (ii) Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

##### As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 2.7%.

	At 1st January 2019 HK\$'000
Operating lease commitments disclosed at 31st December 2018	18,589
Less: recognition exemption – low value assets	<u>(125)</u>
Total undiscounted lease liabilities at 1st January 2019 for application of HKFRS 16	<u>18,464</u>
Weighted average incremental borrowing rate	<u>2.7%</u>
Lease liabilities at 1st January 2019	<u>18,341</u>
<b>Analysed as</b>	
Current	5,847
Non-current	<u>12,494</u>
	<u>18,341</u>

The carrying amounts of right-of-use assets at 1st January 2019 comprises the following:

	Right-of- use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>18,717</u>
<b>By class:</b>	
Buildings	<u>18,717</u>

**2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)**

**HKFRS 16 Leases (Continued)**

**(ii) Transition and summary of effects arising from initial application of HKFRS 16 (Continued)**

*As a lessee (Continued)*

The following adjustments were made to amounts recognised in the condensed consolidated statement of financial position at 1st January 2019. Line items that were not affected by the changes have not been included.

*Impact on the condensed consolidated statement of financial position*

	Carrying amounts previous report at 31st December 2018 <i>HK\$'000</i>	Impact on application of HKFRS 16 <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1st January 2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	88,608	18,717	107,325
<b>Current assets</b>			
Deposits, prepayment and other receivables	451,826	(376)	451,450
<b>Current liabilities</b>			
Lease liabilities	–	5,847	5,847
<b>Non-current liabilities</b>			
Lease liabilities	–	12,494	12,494
	<u>–</u>	<u>12,494</u>	<u>12,494</u>

### 3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the directors of the Company, being the chief operating decision maker (the “CODM”), for the purpose of monitoring segment performance and allocating resources between segments and that are used to make strategic decisions.

The Group has three reportable segments – hotel and gaming service operations, film related business operations and property development and investment operations for the continuing and discontinued operations. The reportable segments 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.

Particulars of the Group’s reportable segments for continuing and discontinued operations are summarised as follows:

#### **Continuing operations**

- |  |   |
|--|---|
| Film related business operations               | – Investment, production, distribution and licensing of films and television drama series and provision of other film related services including artist management services |
| Property development and investment operations | – Investing and development of properties located in Macau and Hong Kong  |

#### **Discontinued operation**

- |                                     |   |
|-------------------------------------|---|
| Hotel and gaming service operations | – Provision of hotel services, food and beverage operation services, provision of right to occupy site and marketing services for gaming operation in Hotel Lan Kwai Fong Macau |
|-------------------------------------|---|

The segment information reported below does not include any amounts for the discontinued operation, which are disclosed more detail in note 9.

### 3. SEGMENT INFORMATION (Continued)

#### Continuing operations

Segment information about these operations is presented as below:

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

	Segment revenue		Segment results	
	Six months ended 30th June		Six months ended 30th June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Film related business operations	1,528	2,966	(2,656)	(2,265)
Property development and investment operations	–	–	(3,405)	(904)
	<u>1,528</u>	<u>2,966</u>	<u>(6,061)</u>	<u>(3,169)</u>
Reconciliation from segment results to loss before tax from continuing operations				
Unallocated corporate income			42,104	35,036
Loss arising on change in fair value of financial assets at fair value through profit or loss			(28,758)	(362,291)
Share of result of a joint venture			(274)	(254)
Unallocated corporate expenses			<u>(23,951)</u>	<u>(53,162)</u>
Loss before tax			<u><u>(16,940)</u></u>	<u><u>(383,840)</u></u>

Segment revenue reported above represents revenue generated from external customers.

Segment results represent the loss suffered by each segment without allocation of central administrative expenses, partial finance costs and loss on early redemption of promissory note under the heading of “unallocated corporate expenses”, partial other revenue and other income under the heading of “unallocated corporate income”, loss arising on change in fair value of financial assets at fair value through profit or loss (“FVTPL”) and share of results of a joint venture. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

### 3. SEGMENT INFORMATION (Continued)

#### Continuing operations (Continued)

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

	At 30th June 2019 <i>HK\$'000</i> (Unaudited)	At 31st December 2018 <i>HK\$'000</i> (Audited)
<b>ASSETS</b>		
Segment assets		
– Film related business operations	885,968	526,100
– Property development and investment operations	<u>3,150,985</u>	<u>2,596,602</u>
Total segment assets	4,036,953	3,122,702
Unallocated assets	<u>1,766,196</u>	<u>2,360,520</u>
	<u><u>5,803,149</u></u>	<u><u>5,483,222</u></u>
	At 30th June 2019 <i>HK\$'000</i> (Unaudited)	At 31st December 2018 <i>HK\$'000</i> (Audited)
<b>LIABILITIES</b>		
Segment liabilities		
– Film related business operations	86,305	76,074
– Property development and investment operations	<u>1,359,340</u>	<u>538,365</u>
Total segment liabilities	1,445,645	614,439
Unallocated liabilities	<u>12,607</u>	<u>436,946</u>
	<u><u>1,458,252</u></u>	<u><u>1,051,385</u></u>



### 3. SEGMENT INFORMATION (Continued)

#### Continuing operations (Continued)

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

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

- all assets are allocated to reportable segments, other than loan to a director, interest in a joint venture, partial deposits, prepayment and other receivables, financial assets at FVTPL, loan receivables, partial cash and bank balances, partial property, plant and equipment, interests in leasehold land and amount due from a joint venture for central administrative purposes; and
- all liabilities are allocated to reportable segments, other than partial lease liabilities, partial deposits received, accruals and other payables.

##### (c) Geographical information

The following table sets out information about geographical location of (i) revenue from external customers and (ii) non-current assets (excluding financial instruments). 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 asset are based on the physical location of the assets.

	Revenue from		Non-current assets	
	external customers		(excluding financial	
	Six months ended		instruments)	
	30th June		At 30th	At 31st
2019	2018	June	December	
HK\$'000	HK\$'000	2019	2018	
(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	
Hong Kong	161	192	168,608	141,289
Macau	-	-	6,650	995
The People's Republic of China (the "PRC")	1,367	1,233	2	3
Others	-	1,541	-	-
	<u>1,528</u>	<u>2,966</u>	<u>175,260</u>	<u>142,287</u>

#### 4. REVENUE

##### Disaggregation of revenue from contracts with customers

	Six months ended 30th June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Artist management service income	1,528	1,425
Distribution fee income	–	1,541
	<u>1,528</u>	<u>2,966</u>

All revenue recognised during the six months ended 30th June 2019 and 30th June 2018 are recognised at a point in time.

#### 5. OTHER REVENUE AND OTHER INCOME

	Six months ended 30th June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Interest income	46,062	36,819
Dividend income	217	–
Consultancy service income	486	486
Reversal of impairment loss recognised in respect of trade receivables	30	70
Management fee income	330	660
Gain on disposal of property, plant and equipment	–	11
Sundry income	66	15
	<u>47,191</u>	<u>38,061</u>

## 6. FINANCE COSTS

	<b>Six months ended 30th June</b>	
	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Continuing operations</b>		
Interest on:		
Bank borrowings	8,515	964
Promissory note	–	1,871
Lease liabilities	224	–
	<u>8,739</u>	<u>2,835</u>
Less: amounts capitalised in the cost of qualifying assets	<u>(8,515)</u>	<u>–</u>
	<u>224</u>	<u>2,835</u>

## 7. LOSS BEFORE TAX

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

	<b>Six months ended 30th June</b>	
	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Continuing operations</b>		
Amortisation of interests in leasehold land	937	937
Depreciation of property, plant and equipment	2,636	1,852
Depreciation of right-of-use assets (included in property, plant and equipment)	3,162	–
Employee benefit expenses (included directors' remunerations)	20,162	20,366
Gain on fair value change of investment properties (included in other operating expenses)	–	(1,300)
Loss on early redemption on promissory note (included in other operating expenses)	–	24,778
Realised loss arising on change in fair value of financial assets at FVTPL	369	–
Unrealised loss arising on change in fair value of financial assets at FVTPL	28,389	362,291
	<u>28,758</u>	<u>362,291</u>
Loss on disposal of property, plant and equipment	15	–
Net foreign exchange loss	98	916
Rental expenses in respect of low value assets	47	–
Operating lease rental in respect of premises	–	2,768
	<u>28,917</u>	<u>365,975</u>

## 8. INCOME TAX EXPENSE

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Current tax:		
– PRC Enterprise Income Tax	<u>3</u>	<u>–</u>

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

PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% for the six months ended 30th June 2019.

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

## 9. DISCONTINUED OPERATION

On 10th October 2017, the Group entered into a conditional sale and purchase agreement, in which the Group agreed to sell and the purchaser agreed to buy the entire equity interest in Charming Era Investment Limited. Exceptional Gain Profits Limited and Most Famous Enterprises Limited, wholly-owned subsidiaries of the Company, and their respective subsidiaries (collectively referred to as the “Disposal Group”), and sale loans due by the Disposal Group at total consideration of HK\$2,000,000,000 (subject to adjustment of actual working capital) (the “LKF Disposal”). The Disposal Group is engaged in hotel and gaming service operations in Macau. The LKF Disposal has been completed on 3rd January 2018.

Profit for the period from the discontinued operation are analysed as follows:

	Period from 1st January 2018 to respective date of disposal of subsidiaries HK\$'000 (Audited)
Loss for the period from hotel and gaming service operations	(6,376)
Gain on disposal of hotel and gaming service operations	<u>1,465,231</u>
Profit for the period from discontinued operation	<u><u>1,458,855</u></u>

**9. DISCONTINUED OPERATION (Continued)**

The result of the discontinued operation for the period, which have been included in the condensed consolidated income statement were as follows:

	Period from 1st January 2018 to respective date of disposal of subsidiaries <i>HK\$'000</i> (Audited)
Revenue	3,957
Cost of sales	<u>(1,985)</u>
Gross profit	1,972
Other revenue and other income	465
Administrative expenses	(8,561)
Marketing, selling and distribution expenses	<u>(252)</u>
Loss before tax	(6,376)
Income tax expenses	<u>–</u>
Loss for the period from discontinued operation	(6,376)
Gain on disposal of discontinued operation	<u>1,465,231</u>
Profit for the period from discontinued operation	<u><u>1,458,855</u></u>
Profit for the period from discontinued operation attributable to owners of the Company	<u><u>1,458,855</u></u>

**9. DISCONTINUED OPERATION (Continued)**

Profit for the period from discontinued operation has been arrived at after charging/(crediting):

	Period from 1st January 2018 to respective date of disposal of subsidiaries <i>HK\$'000</i> (Audited)
Cost of inventories sold (included in cost of sales)	110
Employee benefit expenses (included directors' remunerations)	813
Net foreign exchange gain	(1)
Operating lease rental in respect of premises	16
Write-down of obsolete inventories	45
	<hr/> <hr/>

Cash flows of the discontinued operation for the period were as follows:

	Period from 1st January 2018 to respective date of disposal of subsidiaries <i>HK\$'000</i> (Unaudited)
Net cash generated from operating activities	34,719
Net cash used in financing activities	(966)
	<hr/>
Net cash inflow	33,753
	<hr/> <hr/>

## 10. (LOSS)/EARNINGS PER SHARE

### From continuing and discontinued operations

The calculation of basic and diluted (loss)/earnings per share from continuing and discontinued operations attributable to owners of the Company are based on the following data:

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share ((loss)/profit for the period attributable to owners of the Company)	<u>(16,888)</u>	<u>1,075,025</u>
	Six months ended 30th June	
	2019	2018
	'000	'000
	(Unaudited)	(Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>2,796,197</u>	<u>951,765</u>

Pursuant to the deed polls of the bonus convertible bonds, the bonus convertible bonds conferred the holders with the same economic interests attached to the shareholders of the Company. Accordingly, 1,060,317 (30th June 2018: 1,060,317) fully paid ordinary shares of HK\$0.01 each which shall be convertible from an aggregated amount of approximately HK\$265,000 (30th June 2018: HK\$265,000) outstanding bonus convertible bonds are included in the weighted average number of ordinary shares for calculating the basic (loss)/earnings per share for the six months ended 30th June 2019 and 30th June 2018.

The Company did not have any potential dilutive shares throughout the six months ended 30th June 2019. Accordingly, diluted loss per share is the same as basic loss per share.

The weighted average number of ordinary shares for the six months ended 30th June 2018 for the purpose of calculating basic and diluted (loss)/earnings per share have been adjusted for the issue of new shares by way of rights issue which took place on 6th August 2018.

The Company's outstanding share options where applicable had an anti-dilutive effect to the basic (loss)/earnings per share calculation for the six months ended 30th June 2018 as the exercise price of the Company's outstanding share options was higher than the average market price of the shares of the Company, and the exercise of the above potential dilutive share is not assumed in the calculation of diluted (loss)/earnings per share for the six months ended 30th June 2018.

## 10. (LOSS)/EARNINGS PER SHARE (Continued)

### From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to owners of the Company are based on the following data:

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share (loss for the period from continuing operations attributable to owners of the Company)	<b>(16,888)</b>	(383,830)

The weighted average number of ordinary shares used herein are same as those detailed above for the purpose of basic and diluted (loss)/earnings per share from continuing and discontinued operations respectively.

### From discontinued operation

The calculation of basic and diluted earnings per share from discontinued operation attributable to owners of the Company are based on the following data:

	Period from 1st January respective date of disposal of subsidiaries HK\$'000 (Unaudited)
<b>Earnings</b>	
Earnings for the purpose of basic and diluted earnings per share (profit for the period from discontinued operation attributable to owners of the Company)	<b>1,458,855</b>

The weighted average number of ordinary shares used herein are same as those detailed above for the purpose of basic and diluted (loss)/earnings per share from continuing and discontinued operations respectively.



## 11. DIVIDEND

Subsequent to the end of the reporting period, the Board recommend a special interim dividend to be made out of the Company's contributed surplus account of HK12.5 cents per ordinary share to the shareholders whose names appear on the Company's register of members and the bonus convertible bonds ("Bonus CBs") holders whose names appear on the Company's register of Bonus CBs holders (holders conferred the holders with the same economic interests attached to the shareholders of the Company) on 8th October 2019 subject to the approval of the shareholders of the Company.

No interim dividend was paid or proposed during the six months ended 30th June 2018.

## 12. TRADE PAYABLES

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

	At 30th June 2019 <i>HK\$'000</i> (Unaudited)	At 31st December 2018 <i>HK\$'000</i> (Audited)
0 to 30 days	94,350	34,932
31 to 60 days	574	225
61 to 90 days	–	–
Over 90 days	<u>3,169</u>	<u>3,264</u>
	<u><u>98,093</u></u>	<u><u>38,421</u></u>

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

## 13. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1st January 2019. Under the transition methods, comparative information is not restated.

## **SPECIAL INTERIM DIVIDEND**

In view of the financial position of the Group, subject to the approval of the shareholders of the Company (the “Shareholders”) at the special general meeting of the Company (the “SGM”) to be convened and held to consider and approve the Special Interim Dividend (as defined below), the board of directors of the Company (the “Board”) has on 30th August 2019 resolved to recommend a special interim dividend (the “Special Interim Dividend”) to be made out of the Company’s contributed surplus account of HK12.5 cents per ordinary share of HK\$0.01 each of the Company (each a “Share”) to the Shareholders whose names appear on the Company’s register of members on Tuesday, 8th October 2019.

According to the deed polls of the bonus convertible bonds of the Company issued on 9th January 2013 and 22nd January 2014 respectively (the “Bonus CB(s)”), the Company shall at the same time pay or distribute to each holder of the Bonus CB(s) (the “Bonus CB Holder(s)”) an amount of cash which is equal to (a) the amount of cash of the Special Interim Dividend per Share receivable by the Shareholders under the Special Interim Dividend, multiplied by (b) the number of Shares which the Bonus CB Holder(s) would have become a holder of, had such Bonus CBs then outstanding been converted on the relevant date for determining entitlement to the Special Interim Dividend. Accordingly, the Bonus CB Holder(s) whose names appear on the register of the Bonus CB Holder(s) on Tuesday, 8th October 2019 will also be entitled to a payment equivalent to the Special Interim Dividend.

## **CLOSURE OF REGISTERS**

The register of members of the Company and the register of the Bonus CB Holders (the “Registers”) will be closed from Friday, 4th October 2019 to Tuesday, 8th October 2019 (both days inclusive) for the purpose of determining the entitlement to the Special Interim Dividend and to the payment equivalent to the Special Interim Dividend. No transfer of the Shares and/or the Bonus CBs will be registered during the book closure period.

In order to qualify for the Special Interim Dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited (the “Registrar”) located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 3rd October 2019. In order to qualify for the payment equivalent to the Special Interim Dividend, all transfers of Bonus CBs accompanied by the relevant certificate(s) and transfer form(s) must be lodged with the Registrar, no later than 4:30 p.m. on Thursday, 3rd October 2019. Subject to the approval of the Shareholders at the SGM, the Special Interim Dividend will be paid on or around 18th October 2019.

The Special Interim Dividend is conditional upon the approval of the Shareholders by way of ordinary resolution at the SGM and compliance with the applicable procedures and requirements under the laws of Bermuda.

A circular containing further details of the Special Interim Dividend together with notice of the SGM and related proxy form will be despatched to the Shareholders as soon as practicable on or before 11th September 2019 (or such other date as the Company may announce). The SGM is expected to be convened and held on 27th September 2019 (or such other date as set out in the notice of the SGM to be despatched).

**The expected timetable relating to the Special Interim Dividend mentioned in this announcement may be changed. The Company will keep the Shareholders, the Bonus CB Holder(s) and potential investors informed of any changes in connection with the expected timetable by way of further announcement(s).**

**The Board wishes to remind the Shareholders and the Bonus CB Holder(s) that the Special Interim Dividend is subject to the approval of the Shareholders at the SGM. The Shareholders, the Bonus CB Holder(s) and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the six months ended 30th June 2019, the Group recorded revenue from continuing operations of HK\$1,528,000, representing a decrease of 48% as compared to HK\$2,966,000 for the last corresponding period.

Loss for the period amounted to HK\$16,943,000 as compared to a profit of HK\$1,075,015,000 for the last corresponding period. Such turnaround is mainly attributable to the aggregate effect of: (i) the absence of recognition for profit from discontinued operation of HK\$1,458,855,000 from disposal of the hotel and gaming services operations of the Group in the last corresponding period and (ii) the substantial decrease in the recognition of loss arising on change in fair value of financial assets at fair value through profit or loss of HK\$28,758,000 for the six months ended 30th June 2019 from HK\$362,291,000 in the last corresponding period.

Loss for the period from continuing operations amounted to HK\$16,943,000, representing a decrease of 96% from HK\$383,840,000 for the last corresponding period. Profit for the six months ended 30th June 2018 from discontinued operation amounted to HK\$1,458,855,000.

Loss attributable to owners of the Company for the six months ended 30th June 2019 amounted to HK\$16,888,000 as compared to a profit of HK\$1,075,025,000 for the last corresponding period.

## **BUSINESS REVIEW**

### **Continuing Operations**

The Group has two continuing reportable segments, (1) film related business operations and (2) property development and investment operations.

Of the total revenue amount for the period, HK\$1,528,000 or 100% was generated from film related business operations and no revenue was generated from property development and investment operations.

### **Film Related Business Operations**

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

In the first half of the year 2019, revenue from film related business operations amounted to HK\$1,528,000 (Six months ended 30th June 2018: HK\$2,966,000) and its segment loss amounted to HK\$2,656,000 (Six months ended 30th June 2018: HK\$2,265,000). During the six months ended 30th June 2019, the Group did not distribute any new film. The Group has been engaging in the film business for more than 20 years. Film production normally involves three stages including pre-production, production or shooting and post-production. From the pre-production stage to theatrical release of Chinese film in Hong Kong, it normally takes more than one year and sometimes several years to complete. The majority of revenue in film will record within the following two years after the film is released. As such, it is the characteristic of film production and distribution that revenue is not recognised evenly with time. Our completed new film tentatively named “Chasing Dream 追夢男女” which plot is about love story is expected to release within this year. More films production will commence in coming years so long as the feasibility study for new films is satisfactory.

For television drama series, the Group has prepared a few story board of television drama series and assessing the feasibility of these story board. A television drama series of around 6 episodes has passed its feasibility study recently and shooting for this television drama series is expected to start within this year. This television drama series is expected to be released in internet platform.

The Group also has investment in production of film and television drama series which are co-financing with other production companies and will shared revenue from the invested film and television drama series according to the investment percentage in the relevant agreement. The Group takes a passive role in this kind of co-production arrangement and less human resource are required to contribute.

## **Property Development and Investment Operations**

Property development and investment operations included investing and development of properties located in Macau and Hong Kong. Currently, the Group has two projects under development in Macau, namely (i) Lot C7 do Plano de Urbanizacao da Baia de Praia Grande, located in the Nam van Lakes Zone, at Avenida Doutor Stanley Ho, registered with the Macau Land and Real Estate Registry under no. 23070 (the “Property C7”); and (ii) the combined site at Lot 6C, Lot 6D and Lot 6E at Zona de Aterros do Porto Exterior, Macau which is tentatively named as “Tiffany House” (the “Project Tiffany House”).

No revenue was recorded for property development and investment operations in the first half of the year 2019 and 2018 and its segment loss amounted to HK\$3,405,000 (Six months ended 30th June 2018: HK\$904,000).

Project Tiffany House is adjacent to Macao Polytechnic Institute and next to Golden Lotus Square, and is a couple of blocks away from Macau Fisherman’s Wharf and Sands Casino. Project Tiffany House has a gross floor area of (a) residential – 28,422 square meters, (b) clubhouse – 1,927 square meters, (c) commercial – 4,132 square meters and (d) parking – 11,508 square meters and will provide approximately 228 units in two towers, with units ranging from studio flats to four-bedroom apartments as well as duplex. A uniquely designed clubhouse will provide a wide range of facilities and retail space at the podium which will become a major shopping arcade in the neighbourhood. Construction works started in June 2017 and is expected to complete in the third quarter of year 2019. Project Tiffany House is expected to launch for sale in next year. Upon completion, the neighbourhood will be greatly upgraded with a brand new image, providing its residents a unique living and shopping experience.

Under the Urbanistic Conditions Plan, the Property C7, which is a lot of land with the site area of 4,669 square meters, will be developed for residential and parking purpose, with the maximum allowed height of the building of 34.5 meters above sea level and maximum utilization rate of 5.58 (parking not included). An architect has been engaged and is still in the process to compile a development plan of the Property C7 in accordance with the parameters for submission to the Land, Public Works and Transport Bureau of Macau for approval. The very preliminary development plan is to develop a building under strata title with gross floor areas (in square meters) for residential of 26,047 and parking of 5,200. The development of the Property C7 is expected to start after the completion of the Project Tiffany House.

## **Discontinued Operation**

Hotel and gaming service operations was discontinued during the period ended 30th June 2018.

Hotel and gaming service operations included the hotel operation in Hotel Lan Kwai Fong Macau which was recorded in an indirect wholly owned subsidiary of the Company, Hotel Lan Kwai Fong (Macau) Limited, services provided to the casino situated in Hotel Lan Kwai Fong Macau (“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 Hotel Lan Kwai Fong Macau.

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 Hotel Lan Kwai Fong Macau 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.

As the disposal of Hotel Lan Kwai Fong Macau has been approved by the shareholders of the Company in a special general meeting held on 11th December 2017 and completed on 3rd January 2018, the hotel and gaming service operations was recorded as discontinued operation in the last corresponding period.

The Group had shared revenue and segment loss for the period from 1st January 2018 to 3rd January 2018 (completion date of disposal) of HK\$3,957,000 and HK\$6,376,000 from the hotel and gaming service operations and recorded a gain on disposal of the hotel and gaming services operations of HK\$1,465,231,000.

## **Geographical Segments**

For the geographical segments from the continuing operations, revenue of HK\$161,000 or 11% was sourced from Hong Kong and HK\$1,367,000 or 89% was sourced from China during the period.

## **Administrative Expenses**

For the six months ended 30th June 2019, administrative expenses from continuing operations amounted to HK\$36,367,000 (Six months ended 30th June 2018: HK\$35,964,000), representing a minor increase of 1%.

## **LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30th June 2019, the Group had total assets of approximately HK\$5,803,149,000 and a net current assets of HK\$4,589,516,000, representing a current ratio of 7.6 (31st December 2018: 4.8). The Group had cash and bank balances and time deposits of HK\$864,739,000 (31st December 2018: HK\$1,156,735,000). As at 30th June 2019, the Group had total borrowings of HK\$758,010,000 which was a secured bank term loan (the “Term Loan”).

The purpose of the Term Loan was to finance the construction costs and any other soft costs in relation to the Project Tiffany House. The Term Loan is in multiple drawdown and secured by the leasehold land and properties to be erected on the land of the Project Tiffany House with carrying amount as stock of properties of approximately HK\$1,429,052,000, interest bearing at Hong Kong Interbank Offered Rate (“HIBOR”) for three or six month period selected by the borrower plus margin of 3.35% per annum for each interest period and repayable by the earlier of (i) 36 months from date of the agreement of the Term Loan or (ii) 9 months after date of issuing of the occupation permit of the Project Tiffany House. Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany (executive directors and controlling shareholders of the Company) and the Company provided personal guarantee and corporate guarantee to the Term Loan respectively.

As at 30th June 2019, the Group had banking facilities amounting to HK\$1,600,000,000 which were utilised to the extent of HK\$758,010,000 (31st December 2018: nil). The Group’s gearing was low during the period with total debts of HK\$758,010,000 against equity attributable to owners of the Company of HK\$4,345,077,000. This represents a gearing ratio, calculated in the basis of the Group’s total borrowings over equity attributable to owners of the Company of 17% (31st December 2018: 0%).

As at 30th June 2019, the net proceeds from the allotment and issue of 1,807,406,986 rights shares at the subscription price of HK\$0.25 per share on 6th August 2018 of approximately HK\$448,850,000, of which HK\$350,000,000 was unused and will be used for its intended purpose to finance the business operation of the property development and investment; and HK\$98,850,000 was used to fund the film and television drama series related business operations as intended.

The net proceeds of HK\$50,400,000 from the allotment and issue of 90,000,000 shares from the exercise of 90,000,000 share options during the year ended 31st December 2018 was used as the general working capital of the Group as intended.

As at 30th June 2019, the Group had loan receivables of HK\$300,000,000 which are interest bearing at 3% to 8% per annum and will matured within the next twelve months. All interest due from loan receivables were received in accordance with the terms in their corresponding agreements on due date.

As at the date of approving these interim results and as at 30th June 2019, the fair value of the Group's equity securities listed in Hong Kong held at 30th June 2019 (excluding suspend trading securities as at 30th June 2019) was approximately HK\$133,998,000 and HK\$208,351,000 respectively. As at 30th June 2019, no single equity security's fair value held by the Group accounted for 5% or more of the total assets of the Group.

During the period, no share options of the Company were granted, exercised, expired, lapsed or cancelled.

### **PLEDGE OF ASSETS**

As at 30th June 2019, stock of properties in carrying amount of HK\$1,429,052,000 and quota capital of China Star Creative Development Limited, a wholly owned subsidiary of the Company which is engaged in the business of property development and investment, had been pledged for banking facilities of HK\$1,600,000,000 granted to the Group with outstanding bank borrowings of HK\$758,010,000, and time deposits in amount of HK\$271,000 had been pledged as guarantee to Macau government for deposits in the development of stock of properties in Macau.

### **EXCHANGE RISK AND HEDGING**

The majority of the Group's transactions, assets and liabilities are denominated in Hong Kong Dollar, Macau Pataca, United States Dollar and Renminbi. The exposure to fluctuation in exchange rates in Renminbi mainly arises from receipts and expenditure incurred in film investment, production and distribution. The Group has closely monitors its exposure to this fluctuation and consider appropriate hedging activities if necessary. The exposure to fluctuation in other currencies is considered to be minimal and no hedge activity is considered necessary.

### **COMMITMENTS**

As at 30th June 2019, outstanding commitments by the Group amounted to HK\$644,570,000, of which HK\$565,255,000 as the development expenditure for stock of properties in Macau, HK\$79,016,000 for film rights, films in progress and film deposits, and HK\$299,000 for decoration cost for one of the Group's properties.

### **CONTINGENT LIABILITIES**

As at 30th June 2019, the Group had no material contingent liability.

### **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

There were no significant investments, material acquisitions or disposals during the period.



## **EMPLOYEES AND REMUNERATION POLICY**

As at 30th June 2019, the Group employed 50 staff (30th June 2018: 51 staff) with employee benefit expenses (included directors' remuneration) of HK\$20,162,000 (Six months ended 30th June 2018: HK\$20,366,000) from the continuing operations. 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 staff 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**

There is no significant event took place subsequent to end of the reporting period.

## **PROSPECT**

The Group has succeeded in implementing its long-term policy of focusing on the existing two continuing operations, namely (1) film related business operations; and (2) property development and investment operations. Owing to the fact that these two operations are not able to generate steady periodic revenue, the Group cannot provide stability in its yearly revenue. The result for this period seems bored. However, next year is expected to be a fruitful year for the Group as the Project Tiffany House will be launched for sale in next year. With an optimistic attitude towards the property market of Macau and persisting confidence in the prospects of Macau, the Group considers that property development and investment will bring about a higher investment return for the Group and its shareholders.

The Group will continue its furtherance and development of production and distribution operations in its own established film and television drama series The Group has also undergone various co-operations with well-known film and television drama series production companies to produce new films and television drama series if their plot are attractive in order to increase our production capacity. Given our experience in film and television drama series production and distribution network in the film and television drama series industry, the Group is confident in the production of film and television drama series operations and maximising our value and return.

In the third quarter of year 2019, the Group open a new cafe at Sheung Wan, Hong Kong in one of the Group's owned property, serving various western cuisine in the brand name of "Obba Bar". By using our experience in the catering services in Hotel Lan Kwai Fong Macau in the past few years, the Group has extended its business to catering services which aims to deliver high quality food, luxury ambience and thoughtful service at affordable prices.

Looking forward, the Group will continue to strive to achieve healthy and stable growth by enhancing profitability, maximise its investment return and position to appropriate business opportunity.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintain a high standard of corporate governance practices. 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”) during the period from 1st January 2019 to 30th June 2019, except for the following deviation:

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.

## **ADOPTION OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted 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 during the six months ended 30th June 2019. The Model Code also applies to other specified senior management of the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the six months ended 30th June 2019, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

<b>Month of repurchase</b>	<b>Number of ordinary shares</b>	<b>Price per share</b>		<b>Aggregate consideration paid</b>
		<b>Highest</b>	<b>Lowest</b>	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
May 2019	74,280,000	0.80	0.74	57,795,900
June 2019	15,830,000	0.76	0.75	11,892,000
	<u>90,110,000</u>			<u>69,687,900</u>

The above 90,110,000 ordinary shares were cancelled on 19th June 2019.

The directors considered that the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

Other than as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2019.

#### **AUDIT COMMITTEE**

The audit committee of the Company comprises Messrs. Ho Wai Chi, Paul, Hung Cho Sing 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 met and discussed with the Company's independent auditors, and has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June 2019.

#### **PUBLICATION OF INTERIM REPORT**

The Company's 2019 interim report will be despatched to the shareholders of the Company on or before 30th September 2019 and will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.chinastar.com.hk](http://www.chinastar.com.hk) or [www.irasia.com/listco/hk/chinastar](http://www.irasia.com/listco/hk/chinastar)).

By Order of the Board  
**China Star Entertainment Limited**  
**Heung Wah Keung**  
*Chairman*

Hong Kong, 30th August 2019

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