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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 2023

INTERIM RESULTS

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 2023 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2023

	Notes	Six months ended 30th June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	121,109	252
Cost of sales		<u>(70,225)</u>	<u>—</u>
Gross profit		50,884	252
Other revenue and other income	5	18,317	31,518
Administrative expenses		(50,304)	(44,360)
Marketing, selling and distribution expenses		(12,360)	(1,277)
(Loss)/gain arising on change in fair value of investment property		(4,665)	3,023
Loss arising on change in fair value of financial assets at fair value through profit or loss		<u>(7,025)</u>	<u>(23,380)</u>
Loss from operations		(5,153)	(34,224)
Finance costs	6	<u>(76,310)</u>	<u>(1,069)</u>
Loss before tax from operations	7	(81,463)	(35,293)
Income tax expense	8	<u>(983)</u>	<u>(650)</u>
Loss for the period		<u>(82,446)</u>	<u>(35,943)</u>
Loss for the period attributable to:			
Owners of the Company		(82,426)	(35,933)
Non-controlling interests		<u>(20)</u>	<u>(10)</u>
		<u>(82,446)</u>	<u>(35,943)</u>
Loss per share	10		
Basic and diluted		<u>HK(3.35) cents</u>	<u>HK(1.44) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2023

	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(82,446)	(35,943)
Other comprehensive loss		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(395)</u>	<u>(81)</u>
Total comprehensive loss for the period	<u>(82,841)</u>	<u>(36,024)</u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	<u>(82,821)</u>	<u>(36,014)</u>
Non-controlling interests	<u>(20)</u>	<u>(10)</u>
	<u>(82,841)</u>	<u>(36,024)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2023

	<i>Notes</i>	At 30th June 2023 <i>HK\$'000</i> (Unaudited)	At 31st December 2022 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		59,483	55,921
Investment property		143,123	149,114
Loan to a director		–	489,639
		202,606	694,674
Current assets			
Stock of properties		3,677,188	3,702,028
Film rights		8,115	8,115
Films in progress		76,321	76,321
Investment in films		103,252	104,743
Loan to a director		494,714	–
Trade receivables	11	1,677	3,368
Deposits, prepayment and other receivables		505,328	511,399
Financial assets at fair value through profit or loss		45,044	71,385
Amount due from a joint venture		–	60
Time deposits		284	280
Cash and bank balances		114,558	75,484
		5,026,481	4,553,183
Total assets		5,229,087	5,247,857

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

At 30th June 2023

	<i>Notes</i>	At 30th June 2023 HK\$'000 (Unaudited)	At 31st December 2022 HK\$'000 (Audited)
Capital and reserves			
Share capital		24,608	24,608
Reserves		<u>2,843,004</u>	<u>2,925,825</u>
Equity attributable to owners of the Company			
Non-controlling interests		<u>2,867,612 (701)</u>	<u>2,950,433 (681)</u>
Total equity		<u>2,866,911</u>	<u>2,949,752</u>
Non-current liabilities			
Lease liabilities		2,581	4,256
Bank borrowings		1,561,276	1,550,000
Deferred tax liabilities		–	450
		<u>1,563,857</u>	<u>1,554,706</u>
Current liabilities			
Trade payables	12	32,233	10,253
Deposits received, accruals and other payables		124,740	89,889
Lease liabilities		3,313	3,243
Bank borrowings		134,917	50,000
Financing note payables		–	86,898
Amounts due to non-controlling interests		<u>503,116</u>	<u>503,116</u>
		<u>798,319</u>	<u>743,399</u>
Total liabilities		<u>2,362,176</u>	<u>2,298,105</u>
Total equity and liabilities		<u>5,229,087</u>	<u>5,247,857</u>
Net current assets		<u>4,228,162</u>	<u>3,809,784</u>
Total assets less current liabilities		<u>4,430,768</u>	<u>4,504,458</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 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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 unaudited 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 2022 annual financial statements. The unaudited condensed consolidated financial statements 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”).

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Information have been prepared on the historical cost basis except for investment property and 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.

Other than additional accounting policies resulting from application of amendments to HKFRSs, and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the Interim Financial Information for the six months ended 30th June 2023 are the same as those presented in the Group's audited consolidated financial statements for the year ended 31st December 2022.

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.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January 2023 for the preparation of the Interim Financial Information:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the Interim Financial Information.

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.

During the six months ended 30th June 2023, the Group commenced the multi-media and entertainment business and it is considered as a new operating and reportable segment by CODM.

The Group has three reportable segments – film related business operations, property development and investment operations and multi-media and entertainment business 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.

Particulars of the Group’s reportable segments are summarised as follows:

- 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 – Investment and development of properties and property management
- Multi-media and entertainment business operations – Development, promotion and operation in multi-channel network e-commerce platform

3. SEGMENT INFORMATION (Continued)

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	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Film related business operations	871	252	(5,216)	(6,153)
Property development and investment operations	87,728	–	(70,219)	(10,383)
Multi-media and entertainment business operations	32,510	–	5,886	–
	<u>121,109</u>	<u>252</u>	<u>(69,549)</u>	<u>(16,536)</u>
Reconciliation from segment results to loss before tax				
Unallocated corporate income			17,823	30,854
Loss arising on change in fair value of financial assets at fair value through profit or loss ("FVTPL")			(7,025)	(23,380)
Unallocated corporate expenses			<u>(22,712)</u>	<u>(26,231)</u>
Loss before tax			<u>(81,463)</u>	<u>(35,293)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both periods.

3. SEGMENT INFORMATION (Continued)

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

Segment results represent the loss suffered by each segment without allocation of central administrative expenses and partial finance costs under the heading of “unallocated corporate expenses”, partial other revenue and other income under the heading of “unallocated corporate income” and loss arising on change in fair value of financial assets at FVTPL. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

	At 30th June 2023 HK\$'000 (Unaudited)	At 31st December 2022 HK\$'000 (Audited)
ASSETS		
Segment assets		
– Film related business operations	545,199	517,537
– Property development and investment operations	3,894,025	3,926,568
– Multi-media and entertainment business operations	28,267	–
	<u>4,467,491</u>	<u>4,444,105</u>
Total segment assets	4,467,491	4,444,105
Unallocated assets	761,596	803,752
	<u>5,229,087</u>	<u>5,247,857</u>
LIABILITIES		
Segment liabilities		
– Film related business operations	77,533	77,193
– Property development and investment operations	1,741,506	2,201,208
– Multi-media and entertainment business operations	23,998	–
	<u>1,843,037</u>	<u>2,278,401</u>
Total segment liabilities	1,843,037	2,278,401
Unallocated liabilities	519,139	19,704
	<u>2,362,176</u>	<u>2,298,105</u>

3. SEGMENT INFORMATION (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, partial cash and bank balances, partial property, plant and equipment for central administrative purposes; and
- all liabilities are allocated to reportable segments, other than partial deposits received, accruals and other payables and partial lease liabilities.

(c) Geographical information

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

	Revenue from		Non-current assets	
	external customers		(excluded financial instruments)	
	Six months ended		At 30th	At 31st
	30th June		June	December
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	368	–	52,076	54,918
Macau	87,728	–	564	828
Taiwan	–	–	143,220	149,289
The People's Republic of China (the "PRC")	32,964	189	6,746	–
Others	49	63	–	–
	<u>121,109</u>	<u>252</u>	<u>202,606</u>	<u>205,035</u>

4. REVENUE

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

	Six months ended 30th June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Disaggregation of revenue from contracts with customers		
Distribution fee income	51	252
Artist management service income	820	–
Sales of properties	87,728	–
Multi-media commission income	32,510	–
	<u>121,109</u>	<u>252</u>
Revenue from contracts with customers	<u>121,109</u>	<u>252</u>

	Six months ended 30th June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Timing of revenue recognition		
A point in time	<u>121,109</u>	<u>252</u>

5. OTHER REVENUE AND OTHER INCOME

	Six months ended 30th June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividend income	4	3
Bank interest income	544	663
Loan interest income	17,472	30,792
Sundry income	297	60
	<u>18,317</u>	<u>31,518</u>

6. FINANCE COSTS

	Six months ended 30th June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on bank borrowings	75,441	26,565
Interests on financing note payables	331	199
Bank guarantee charges	367	689
Interests on lease liabilities	141	103
Other finance costs	30	78
	<u>76,310</u>	<u>27,634</u>
Interest capitalised to stock of properties	–	(26,565)
	<u>76,310</u>	<u>1,069</u>

7. LOSS BEFORE TAX

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

	Six months ended 30th June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of properties sold (included in cost of sales)	49,133	–
Depreciation of property, plant and equipment	3,733	3,705
Employee benefit expenses (included directors' remunerations)	25,736	21,652
Expense relating to short-term leases	988	1,506
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	42	59
Loss/(gain) arising on change in fair value of investment property	4,665	(3,023)
Loss arising on change in fair value of financial assets at FVTPL	7,025	23,380
Net foreign exchange loss	3,929	8,233
	<u>3,929</u>	<u>8,233</u>

8. INCOME TAX EXPENSE

	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
– PRC enterprise income tax	1,436	–
Deferred tax	(453)	650
	<u>983</u>	<u>650</u>

Under the two-tiered profits tax rates regime of Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the unaudited condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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.

The PRC subsidiaries are subject to the PRC enterprise income tax at 25% for both periods.

PRC enterprise income tax are estimated based on the assessable profits arising in the PRC for the six months ended 30th June 2023. No provision for the PRC enterprise income tax has been made for the six months ended 30th June 2022 as the Group has no assessable profits arising in the PRC.

Macau subsidiaries are subject to Macau complementary tax at the maximum progressive rate of 12% on the estimated assessable profit for both periods. The Taiwan subsidiary is subject to Taiwan corporate tax, the first NT\$120,000 taxable income of Taiwan subsidiary is exempted from corporate tax and taxable income above NT\$120,000 is taxed at 20%.

No provision for Macau complementary tax and Taiwan corporate tax has been made for both periods as the Group has no assessable profit arising in Macau and Taiwan.

9. INTERIM DIVIDEND

No interim dividend was paid or proposed during the six months ended 30th June 2023 and 2022.

10. LOSS PER SHARE

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

	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u><u>(82,426)</u></u>	<u><u>(35,933)</u></u>
	Six months ended 30th June	
	2023	2022
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>2,461,911</u></u>	<u><u>2,486,911</u></u>

Pursuant to the deed polls of the bonus convertible bonds (“Bonus CBs”), the Bonus CBs conferred the holders with the same economic interests attached to the shareholders of the Company. Accordingly, 1,060,317 (30th June 2022: 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 2022: HK\$265,000) outstanding Bonus CBs are included in the weighted average number of ordinary shares for calculating the basic loss per share for the six months ended 30th June 2023 and 30th June 2022.

No diluted loss per share were presented as there were no potential ordinary shares in issue for both periods.

11. TRADE RECEIVABLES

	At 30th June 2023 <i>HK\$'000</i> (Unaudited)	At 31st December 2022 <i>HK\$'000</i> (Audited)
Trade receivables	2,367	4,058
Less: allowance for expected credit loss (“ECL”)	<u>(690)</u>	<u>(690)</u>
	<u>1,677</u>	<u>3,368</u>

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

	At 30th June 2023 <i>HK\$'000</i> (Unaudited)	At 31st December 2022 <i>HK\$'000</i> (Audited)
0 to 30 days	3	1,544
31 to 60 days	–	–
61 to 90 days	2	29
Over 90 days	<u>1,672</u>	<u>1,795</u>
	<u>1,677</u>	<u>3,368</u>

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

12. TRADE PAYABLES

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

	At 30th June 2023 HK\$'000 (Unaudited)	At 31st December 2022 HK\$'000 (Audited)
0 to 30 days	3,670	2,552
31 to 60 days	2,000	283
61 to 90 days	132	1,784
Over 90 days	26,431	5,634
	<hr/> 32,233 <hr/>	<hr/> 10,253 <hr/>

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

13. EVENT AFTER THE REPORTING PERIOD

On 12th July 2023, the Company grant 164,000,000 awarded shares (“Awarded Shares”) to Ms. Chen Ming Yin, Tiffany, executive director of the Company and the Awarded Shares will be issued to Ms. Chen upon satisfaction of certain vesting conditions pursuant to an ordinary resolution passed by the independent shareholders in the annual general meeting of the Company on 29th June 2023. No Awarded Shares are issued up to the date of approving the interim results.

Other than disclosed above, there is no other significant event took place subsequent to end of the reporting date.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30th June 2023, the Group recorded revenue of HK\$121,109,000 from HK\$252,000 for the last corresponding period. The operations for the Group in this period have a substantial breakthrough. Property development and investment operations which the Group invested for a number of years has started contributing revenue of HK\$87,728,000 to the Group and the Group's new business, multi-media and entertainment business operations, started in this period has contributed revenue of HK\$32,510,000 to the Group.

Loss for the period amounted to HK\$82,446,000 (Six months ended 30th June 2022: HK\$35,943,000), representing an increase of 129% from the last corresponding period. The increase in loss is mainly attributable to substantial increase in finance costs amounted to HK\$76,310,000 (Six months ended 30th June 2022: HK\$1,069,000, of which HK\$26,565,000 had capitalised to stock of properties) and increase in marketing, selling and distribution expenses amounted to HK\$12,360,000 (Six months ended 30th June 2022: HK\$1,277,000) as more marketing expenses were incurred in multi-media and entertainment business operations. The effect was partially offset by the gross profit of HK\$50,884,000 generated from property development and investment operations and multi-media and entertainment business operations and decrease in recognition of loss arising on change in fair value of financial assets at fair value through profit or loss amounted to HK\$7,025,000 for the six months ended 30th June 2023 from HK\$23,380,000 in the last corresponding period.

Loss attributable to owners of the Company for the six months ended 30th June 2023 amounted to HK\$82,426,000, representing an increase of 129% from HK\$35,933,000 for the last corresponding period.

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2023 (Six months ended 30th June 2022: nil).

BUSINESS REVIEW

The Group has three reportable segments - (1) film related business operations; (2) property development and investment operations; and (3) multi-media and entertainment business operations, a new business in the period.

Of the total revenue amount for the period, HK\$871,000 or 1% was generated from film related business operations, HK\$87,728,000 or 72% was generated from property development and investment operations, and HK\$32,510,000 or 27% was generated from multi-media and entertainment business 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.

The Group currently has no film or TV drama series in production, as the capital investment and manpower involved in film production is comparatively significant, the Group keeps preservative in this uncertain economic environment. Film distribution is the ongoing business for the Group as it owns its film library and has sub-distributed films on behalf of other film owners but revenue was not significant for these titles. The Group has passive investment in one film which is expected to release within this year (as informed by the production house) and the Group normally will not intervene the distribution schedule of this kind of investment.

In the first half of the year 2023, revenue from film related business operations amounted to HK\$871,000 (Six months ended 30th June 2022: HK\$252,000) and its segment loss amounted to HK\$5,216,000 (Six months ended 30th June 2022: HK\$6,153,000). The revenue was mainly arised from sub-distribution fees and artist management service fees.

Property Development and Investment Operations

Property development and investment operations included investing and development of properties and property management of Tiffany House. The Group mainly has two projects 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) Tiffany House located at Rua De Luis Gonzaga Gomes and Rua De Xiamen, Macau.

The Property C7 is a lot of land with site area of 4,669 square meters which 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) according to the Urbanistic Conditions Plan issued by Land and Urban Construction Bureau (formerly known as the Land, Public Works and Transport Bureau of Macau) (“DSSCU”) at 15th September 2016. A new Urbanistic Conditions Plan was issued by DSSCU on 29th June 2023 and the main improvement is the maximum allowed height of the building has increased from 34.5 meters above sea level to 46.7 meters. The development period of Property C7 is extended to 21st August 2026 by DSSCU on 3rd July 2023. During the period, the Group has entered into an operation entrustment agreement and a main sale agreement with a well-known Macau property developer and entrust it to assist for design, development and construction, sales and finance arrangement of the Property C7. The Group considers that this professional arrangement for the Property C7 can speed up the construction process and assist the later sales. With the update of all these pre-requisite conditions for the Property C7, the Group has revised its development plan and submitted to DSSCU for approval on 31st July 2023.

The Group is currently indirectly interested in 50% of the Property C7. Ms. Chen Ming Yin Tiffany (“Ms. Chen”) had granted a call option (the “Call Option”) to Best Combo Limited, a wholly owned subsidiary of the Company (“Best Combo”) which allowed Best Combo to require Ms. Chen to sell the entire issued share capital of Reform Base Holdings Limited that indirectly held 25% of the Property C7 at consideration of HK\$500,000,000 (subject to adjustment) during the exercise period falling on the expiry of 60 months from 6th April 2017 (the “Exercisable Period”) and Best Combo had granted a fixed term loan at principal amount of HK\$500,000,000 (subject to adjustment), interest bearing at 5% and repayable on the date falling 60 months from 6th April 2017 (“Final Repayment Date”). The Exercisable Period and Final Repayment Date were further extended to 4th January 2024.

Tiffany House is located 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. Tiffany House has a gross floor area of (a) residential – 31,192 square meters, including approximately 1,900 square meters for clubhouse, (b) commercial – 3,716 square meters and (c) parking – 11,250 square meters. It provides 230 residential units in two towers, with units ranging from studio flats to four-bedroom apartments as well as special units and 272 carparks and 75 motorcycle parks in three underground levels. A prestigious clubhouse decided by Mr. William Chang, a famous art director and star designer in Hong Kong which provides a wide range of facilities including swimming pool, gym room, well equipped kitchen, yoga and dance room, etc. Tiffany House has obtained its occupational permit in December 2019. The sales of the residential units of Tiffany House started in October 2022 and its first sales completed in January 2023. Sales started at Tower 1 of Tiffany House. Tower 2 which facing Golden Lotus Square and Guia Hill are expected to have higher unit price will start sales later. During the period, sales of twelve residential units and one carpark were completed with average gross price of HK\$10,065 per square feet for residential units. The Group recognised that an excellent building management services can increase the value of the properties and therefore the Group has formed its building management services teams and will target to provide excellent services to the tenants of Tiffany House.

The Group’s luxury residential apartment with two car parking spaces in Taiwan (the “Taiwan Property”) which is held as an investment property for long term capital growth. It has finished its renovation in year 2022 and is ready for rent. As the leasing market of luxury property in Taiwan is sluggish and the Group is sourcing tenant for the Taiwan Property.

In the first half of the year 2023, revenue from property development and investment operations amounted to HK\$87,728,000 (Six months ended 30th June 2022: nil) and its segment loss amounted to HK\$70,219,000 (Six months ended 30th June 2022: HK\$10,383,000). The segment loss was mainly due to finance costs for the bank loan of Tiffany House (“Term Loan”) amounted to HK\$74,939,000 needed to charge to profit and loss after the completion of Tiffany House and finance costs of HK\$26,565,000 was capitalized to stock of properties in the last corresponding period. With the continuous increase in interest rate causing the substantial increase in finance costs, the burden of finance costs has affected the performance of the property development and investment operations. Accordingly, the Group will speed up the process of property sales.

Multi-media and Entertainment Business Operations

The Group has established a wholly-owned subsidiary, 杭州英明向太多媒體有限公司 (“YMXT”) in China which principal activities are multi-media and entertainment business operations which included development, promotion and operation of livestreaming e-commerce in multi-channel network e-commerce platform. Ms. Chen is an internet celebrity and she has an account in Douyin which attracted millions of followers. Ms. Chen uses her social influence and social followers as a key opinion leader for marketing, endorsement and product placements of products and services for generating revenue, profit, branding and awareness for the Group. On 7th May 2023, the Group started a livestreaming e-commerce in Douyin using Ms. Chen’s Douyin account and she is the network anchor for the livestreaming e-commerce event. The gross merchandise value (“GMV”) for that date was over RMB81 million.

The Group intends to develop YMXT into a multi-channel network company which business will involve livestreaming e-commerce in internet platform and wholesales, trading, import and export of products. In the first stage, we will act as the mediator in the internet platform and keep a margin of commission for each and every sale that is being done through our accounts. Moreover, the suppliers will give annual or commitment advertising fees for us to promote their products in our livestreaming channel or accounts or online shops managed by us. Besides, we can sale short video in livestreaming for these products. In the second stage, we will cooperate with other suppliers or factories to sell our own products. We just started the first stage in this period and the second stage is still in initial planning stage.

In the first half of the year 2023, revenue from multi-media and entertainment business operations amounted to HK\$32,510,000 and its segment profit amounted to HK\$5,886,000.

Geographical Segments

For the geographical segments, revenue of HK\$368,000 or 0% was sourced from Hong Kong, revenue of HK\$87,728,000 or 73% was sourced from Macau, revenue of HK\$32,964,000 or 27% was sourced from China and HK\$49,000 or 0% was sourced from other territories during the period. Revenue from Macau mainly represented property sales of Tiffany House in Macau and revenue from China mainly represented multi-media commission income from multi-media and entertainment business operations.

Administrative Expenses

For the six months ended 30th June 2023, administrative expenses amounted to HK\$50,304,000 (Six months ended 30th June 2022: HK\$44,360,000), representing increase of 13%. The increase mainly included administrative expenses incurred in our new business, multi-media and entertainment business operations and the increase in employee benefit expenses classified as administrative expenses amounted to HK\$22,998,000 from HK\$21,652,000 in the last corresponding period.

Marketing, Selling and Distribution expenses

For the six months ended 30th June 2023, marketing, selling and distribution expenses amounted to HK\$12,360,000 (Six months ended 30th June 2022: HK\$1,277,000) which included HK\$2,738,000 (Six months ended 30th June 2022: nil) employee benefit expenses. The increase was mainly due to marketing expenses incurred in our new business, multi-media and entertainment business operations in China which normally incurred significant advertising expenses in maintaining the publicity of the livestreaming account such as the Douyin account and the number of followers.

Finance Costs

For the six months ended 30th June 2023, finance costs amounted to HK\$76,310,000 (Six months ended 30th June 2022: HK\$1,069,000) were charged to the condensed consolidated income statement. This increase was mainly due to increase in the interest rates in the period. The interest rates of the Term Loan ranged from 7.84% to 8.58% in the period as compared to 3.57% to 5.01% in the last corresponding period. Interests financing Term Loan of Tiffany House amounted to HK\$74,939,000 were charged to the condensed consolidated income statement for the six months ended 30th June 2023 and HK\$26,565,000 were capitalised to stock of properties for the six months ended 30th June 2022.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June 2023, the Group had total assets of approximately HK\$5,229,087,000 (31st December 2022: HK\$5,247,857,000) and a net current assets of HK\$4,228,162,000 (31st December 2022: HK\$3,809,784,000), representing a current ratio of 6.3 (31st December 2022: 6.1). The Group had cash and bank balances and time deposits of HK\$114,842,000 (31st December 2022: HK\$75,764,000).

As at 30th June 2023, the Group had total borrowing of HK\$1,702,087,000 (31st December 2022: HK\$1,694,397,000) which comprised the Term Loan of HK\$1,610,077,000 (31st December 2022: HK\$1,600,000,000), a secured term loan (the “Secured Loan”) of HK\$86,116,000 (31st December 2022: nil), a loan note (the “Note Payable”) of nil (31st December 2022: HK\$86,898,000) and lease liabilities of HK\$5,894,000 (31st December 2022: HK\$7,499,000). The Term Loan was restructured in year 2022 with facility amount increased from HK\$1,600,000,000 to HK\$1,700,000,000 and the purpose of the additional HK\$100,000,000 (“Addition Facility”) is to finance the finance costs for the Term Loan. The Term Loan is secured by first legal mortgage over stock of properties of Tiffany House and certain bank accounts with aggregate carrying amount of HK\$2,292,128,000 as at 30th June 2023 (31st December 2022: HK\$2,306,108,000), interest bearing at Hong Kong Interbank Offered Rate (“HIBOR”) for three or six month period selected by the borrower plus margin of 3% per annum for each interest period and its repayment schedules are as follows:

Instalments	Repayment Date (counting from 13th December 2022)	Minimum Repayment Amount (HK\$)
1	12 months	50,000,000
2	18 months	160,000,000
3	24 months	160,000,000
4	30 months	160,000,000
5	36 months	160,000,000
6	42 months	160,000,000
7	48 months (final maturity)	850,000,000

There is a clause in the Term Loan that mandatory prepayment in an amount of 90% of the net sales proceeds from Tiffany House (net deduction of direct expenses to be accepted by the lender) or dispositions of any properties or assets of Tiffany House unless otherwise approved by the lender. The remaining sales proceeds from Tiffany House after the repayment shall be deposited into a charge account, and can only be used for the payment of interest of the Term Loan. During the period, the Group had prepaid HK\$75,083,000 which has fulfilled the minimum repayment requirement in the first 12 months. That means the Group does not need to repay the Term Loan for the period from 13th December 2022 to 12th December 2023 and has to repay HK\$134,917,000 before 12th June 2024. During the period, HK\$85,160,000 was drawn from the Addition Facility for paying interest and bank charges of the Term Loan due in the period.

The Note Payable is interest bearing at interest rate ranging from 1.25% to 1.35% for the period from 1st January 2023 to 12th April 2023. The Group can apply for renewal of the Note Payable for variable periods and the bank guarantee can renew annually until 24th January 2051 or upon early termination. During the period, the Note Payable was repaid and the Secured Loan which bear interest at floating rate of 2-year New Taiwan Dollar deposit at Chungwa Post Co., Ltd plus margin 1.43% per annum (i.e. 2.9% as at 30th June 2023) and will mature on 12th March 2028 was drawn. Investment property in carrying amount of HK\$143,123,000 has been pledged to a bank for obtaining the Secured Loan.

As at 30th June 2023, the Group had banking facilities amounting to HK\$1,786,116,000 which were utilized to the extent of HK\$1,771,276,000. The Group's gearing was acceptable during the period with total debts of HK\$1,702,087,000 (31st December 2022: HK\$1,694,397,000) against owners' equity of HK\$2,867,612,000 (31st December 2022: HK\$2,950,433,000). This represents a gearing ratio, calculated in the basis of the Group's total borrowings over owners' equity of 59% (31st December 2022: 57%).

As at the date of approving these interim results and 30th June 2023, the fair value of the Group's equity securities listed in Hong Kong held at 30th June 2023 was approximately HK\$41,086,000 and HK\$45,040,000 respectively. During the six months ended 30th June 2023, an equity security with fair value of HK\$18,405,000 as at 31st December 2022 was privatized with net proceeds of HK\$19,316,000 and the Group did not acquired or disposed any other equity securities listed in Hong Kong. The loss arising on change in fair value of financial assets at fair value through profit and loss of HK\$5,022,000 was resulted from change in fair values of equity securities listed in Hong Kong between the six months period 31st December 2022 and 30th June 2023. As at 30th June 2023, no single equity security's fair value held by the Group accounted for 5% or more of the total assets of the Group.

Reference is made to the announcement of the Company dated 29th May 2023 and the circular of the Company dated 6th June 2023 (the "Circular") in relation to, among other things, details in respect of the adoption of a share award scheme (the "Share Award Scheme"), amendments to share option scheme, and grant and issue of 164,000,000 awarded shares to Ms. Chen (the "Grant"). On 29th June 2023, the relevant resolutions in relation to the adoption of the Share Award Scheme, the amendments to share option scheme, and the Grant have been approved by the shareholders of the Company. During the period, no awarded shares were granted, issued, vested, cancelled or lapsed.

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

CHARGES OF ASSETS

As at 30th June 2023, stock of properties and certain bank accounts in aggregate carrying amount of HK\$2,292,128,000 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 has been pledged for banking facilities of HK\$1,700,000,000 granted to the Group; time deposit in amount of HK\$249,000 had been pledged as guarantee to Macau government for the deposits in the development of stock of properties in Macau; and investment property in carrying amount HK\$143,123,000 has been pledged for the Secured Loan facility of HK\$86,116,000 which has been fully drawn in the period.

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, New Taiwan Dollar and Renminbi. The exposure to fluctuation in exchange rates in Renminbi mainly arises from its new business, multi-media and entertainment business operations in China and 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 2023, outstanding commitments by the Group amounted to HK\$113,445,000, of which HK\$96,257,000 as development expenditure for stock of properties in Macau, HK\$17,188,000 for film rights, films in progress and film deposits.

CONTINGENT LIABILITIES

As at 30th June 2023, the Group had no material contingent liability.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2023, the Group employed 126 staff (Six months ended 30th June 2022: 81 staff) with employee benefit expenses (included directors' remuneration) of HK\$25,736,000 (Six months ended 30th June 2022: HK\$21,652,000) of which HK\$22,998,000 (Six months ended 30th June 2022: HK\$21,652,000) classified as administrative expenses and HK\$2,738,000 (Six months ended 30th June 2022: nil) classified as marketing, selling and distribution expenses, an overall increase of 19%. The increase mainly included increase in headcount who are responsible for the building management services in Tiffany House and the new business, multi-media and entertainment business operations in China. 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 and share awards are awarded to certain staff according to the assessment of individual performance.

EVENT AFTER THE REPORTING DATE

On 12th July 2023, the Company grant 164,000,000 awarded shares ("Awarded Shares") to Ms. Chen and the Awarded Shares will be issued to Ms. Chen upon satisfaction of certain vesting conditions pursuant to an ordinary resolution passed by the independent shareholders in the annual general meeting of the Company on 29th June 2023. No Awarded Shares are issued up to the date of approving the interim results. Other than disclosed above, there is no other significant event took place subsequent to end of the reporting date.

PROSPECT

Year 2023 is expected to be a substantial breakthrough year for the Group.

For film related business operations, the Group still cannot be too optimistic and the Group will concentrate its resources to the other two business operations.

For the property development and investment operations, the reopening of borders in the beginning of this year buoyed the retail leasing market significantly in Macau. However, the weakening global economy and mainland China's slowdown coupled with the interest rate hikes has affected the recovery of the Macau real estate market. Following the gradually recovery in the tourism and gaming industries, we expect housing market in Macau will rebound in the remaining year 2023. The transaction unit price per square feet for Tiffany House keeps to be among highest in Macau in the first half of the year which proved the wide acceptance of it. With the outperformed figures in tourism and gaming industries in Macau in recent months, we expect the sales of Tiffany House can speed up in the coming months of year 2023. After the submission of the revised development plan of the Property C7 to DSSCU for approval on 31st July 2023 and the entering of the operation entrustment agreement and the main sale agreement, the Group will speed up the development progress of the Property C7 and expects to start construction within this year.

In recent years, the commercial value of new media platforms has been increasing. It is not only an important gateway for users to obtain information and seek leisure entertainment, but also serves as important means for a wide range of industry customers to carry out their brand promotion and product distribution, especially with the livestreaming e-commerce. The Group can utilised its experience and capability in entertainment business in this new media e-commerce operations and provide entertainment to our customers in addition to satisfying them with cost efficient and quality products. The Group has a very good start in this business and gained a fast-growing popularity and trust development in the livestreaming e-commerce industry. In the coming few months, we will recruit and train more anchors with different characters and cooperate with other suppliers or factories to produce and sell our own products in order to enforce our target as being a multi-channel network business group.

OTHER INFORMATION

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 29th June 2022, the Company adopted a new share option scheme (the “Share Option Scheme”) to replace the share option scheme adopted on 28th June 2012. The principal terms of the Share Option Scheme were disclosed in the Company’s 2022 Annual Report. The Company amended the Share Option Scheme (the “Amended Share Option Scheme”) by ordinary resolution of the shareholders of the Company in the annual general meeting held on 29th June 2023. Please refer to the circular of the Company dated 6th June 2023 for details.

Apart from the Amended Share Option Scheme, the Company has no other share option scheme in place as at 30th June 2023.

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

SHARE AWARD SCHEME

The Company adopted the share award scheme (the “Share Award Scheme”) by ordinary resolution of the shareholders of the Company in the annual general meeting held on 29th June 2023. The purposes and objectives of the Share Award Scheme are to recognise the contributions by certain eligible participants, provide them with incentives in order to retain them for the continual operation and development of the Group, and attract suitable personnel for further development of the Group.

On 29th June 2023, the independent shareholders of the Company have approved the grant and issue of 164,000,000 awarded shares (“Awarded Shares”) to Ms. Chen upon satisfaction of certain vesting conditions (the “Grant”). On 12th July 2023, the Company grant the Awarded Shares to Ms. Chen and no Awarded Shares are issued as at the date of report. Please refer to the circular of the Company dated 6th June 2023 for further details.

During the period under review, no award share was granted, issued, vested, cancelled or lapsed pursuant to the Share Award Scheme.

ADOPTION TO THE NEW BYE-LAWS

The Company adopted the new bye-laws of the Company by a special resolution of the shareholders of the Company in the annual general meeting held on 29th June 2023. The Company's memorandum of association and new bye-laws is available on the websites of the Company and the Stock Exchange.

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 during the period from 1st January 2023 to 30th June 2023.

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 during the six months ended 30th June 2023. The Model Code also applies to other specified senior management of the Group.

PURCHASE, SALE OR 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 six months ended 30th June 2023.

AUDIT COMMITTEE

The audit committee of the Company comprises Messrs. Ho Wai Chi, Paul, Hung Cho Sing and Tai Kwok Leung, Alexander, 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 2023 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosure has been made.

PUBLICATION OF INTERIM REPORT

The Company's 2023 interim report will be despatched to the shareholders of the Company on or before 30th September 2023 and will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.chinastar.com.hk or www.irasia.com/listco/hk/chinastar).

By Order of the Board
Heung Wah Keung
Chairman

Hong Kong, 30th August 2023

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. Tai Kwok Leung, Alexander.