



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

Stock code : 326

INTERIM REPORT 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

		Six months ended 30th June	
	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Continuing operations			
Revenue	4	1,528	2,966
Cost of sales		<u>–</u>	<u>(45)</u>
Gross profit		1,528	2,921
Other revenue and other income	5	47,191	38,061
Administrative expenses		(36,367)	(35,964)
Marketing and distribution expenses		(36)	–
Loss arising on change in fair value of financial assets at fair value through profit or loss		(28,758)	(362,291)
Other operating expenses		<u>–</u>	<u>(23,478)</u>
Loss from operations		(16,442)	(380,751)
Finance costs	6	(224)	(2,835)
Share of result of a joint venture		<u>(274)</u>	<u>(254)</u>
Loss before tax	7	(16,940)	(383,840)
Income tax expense	8	(3)	–
Loss for the period from continuing operations		<u>(16,943)</u>	<u>(383,840)</u>
Discontinued operation			
Profit for the period from discontinued operation	9	<u>–</u>	<u>1,458,855</u>
(Loss)/profit for the period		<u>(16,943)</u>	<u>1,075,015</u>

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the six months ended 30th June 2019

	Notes	Six months ended 30th June	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company		(16,888)	1,075,025
Non-controlling interests		(55)	(10)
		(16,943)	1,075,015
(Loss)/earnings per share	10		
		HK cents	HK cents
		(Unaudited)	(Unaudited)
From continuing and discontinued operations			
Basic and diluted		(0.60)	112.95
From continuing operations			
Basic and diluted		(0.60)	(40.33)
From discontinued operation			
Basic and diluted		-	153.28

The accompanying notes form an integral part of these condensed consolidated financial statements.

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)
(Loss)/profit for the period	(16,943)	1,075,015
Other comprehensive loss		
<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	(13)	–
Other comprehensive loss for the period	(13)	–
Total comprehensive (loss)/income for the period	(16,956)	1,075,015
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(16,901)	1,075,025
Non-controlling interests	(55)	(10)
	(16,956)	1,075,015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2019

	Notes	At 30th June 2019 HK\$'000 (Unaudited)	At 31st December 2018 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	104,657	88,608
Interests in leasehold land		52,472	53,409
Loan to a director	13	347,924	327,903
Prepayment		18,000	–
Interest in a joint venture		131	270
		523,184	470,190
Current assets			
Stock of properties	14	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	15	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
Total assets		5,803,149	5,483,222

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30th June 2019

	Notes	At 30th June 2019 HK\$'000 (Unaudited)	At 31st December 2018 HK\$'000 (Audited)
Capital and reserves			
Share capital	16	27,110	28,011
Reserves		4,317,967	4,403,951
Equity attributable to owners of the Company		4,345,077	4,431,962
Non-controlling interests		(180)	(125)
Total equity		4,344,897	4,431,837
Non-current liabilities			
Bank borrowings	17	758,010	–
Lease liabilities		9,793	–
		767,803	–
Current liabilities			
Trade payables	18	98,093	38,421
Deposits received, accruals and other payables		83,595	509,848
Lease liabilities		5,645	–
Amounts due to non-controlling interests		503,116	503,116
		690,449	1,051,385
Total liabilities		1,458,252	1,051,385
Total equity and liabilities		5,803,149	5,483,222
Net current assets		4,589,516	3,961,647
Total assets less current liabilities		5,112,700	4,431,837

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2019

	Attributable to owners of the Company												
	Share capital	Share premium	Contributed surplus	Exchange reserve	Statutory reserve	Share-based payment reserve	Bonus convertible bonds reserve	Capital reduction reserve	Property revaluation reserve	(Accumulated loss) retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2018 (Audited)	9,037	1,488,186	1,925,439	745	291	55,665	1,132	316,008	48,171	(563,100)	3,281,574	(114)	3,281,460
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	1,075,025	1,075,025	(10)	1,075,015
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	-	1,075,025	1,075,025	(10)	1,075,015
Disposal of subsidiaries	-	-	-	-	(291)	-	-	-	-	291	-	-	-
Expiry of share options	-	-	-	-	-	(48,384)	-	-	-	48,384	-	-	-
At 30th June 2018 (Unaudited)	9,037	1,488,186	1,925,439	745	-	7,281	1,132	316,008	48,171	560,600	4,356,599	(124)	4,356,475
At 1st January 2019 (Audited)	28,011	1,966,306	542,961	835	-	-	1,132	316,008	48,171	1,508,538	4,431,962	(125)	4,431,837
Loss for the period	-	-	-	-	-	-	-	-	-	(16,888)	(16,888)	(55)	(16,943)
Other comprehensive loss for the period	-	-	-	(13)	-	-	-	-	-	-	(13)	-	(13)
Total comprehensive loss for the period	-	-	-	(13)	-	-	-	-	-	(16,888)	(16,901)	(55)	(16,956)
Repurchase of shares (included charges)	(901)	(69,083)	-	-	-	-	-	-	-	-	(69,984)	-	(69,984)
At 30th June 2019 (Unaudited)	27,110	1,917,223	542,961	822	-	-	1,132	316,008	48,171	1,491,650	4,345,877	(180)	4,344,897

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June 2019

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash used in operating activities	(991,119)	(216,980)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	26,041	20,384
Payment for purchase of property, plant and equipment	(3,145)	–
Net cash inflow arising on disposal of subsidiaries	–	1,759,314
Net cash inflow/(outflow) arising on other investing activities	215	(1,061)
Net cash generated from investing activities	23,111	1,778,637
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(8,739)	(5,416)
Proceed from bank borrowings	758,010	–
Repayment of lease liabilities	(3,264)	–
Repayment of promissory note	–	(200,000)
Repayment of bank borrowings	–	(670,000)
Repurchase of shares	(69,984)	–
Net cash outflow arising on other financing activities	–	(2)
Net cash generated from/(used in) financing activities	676,023	(875,418)
(Decrease)/increase in cash and cash equivalents	(291,985)	686,239
Cash and cash equivalents at the beginning of the reporting period	1,156,466	424,200
Reclassification from assets held for sale	–	41,350
Effect of foreign exchange rate changes	(13)	1
Cash and cash equivalents at the end of the reporting period	864,468	1,151,790

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June 2019

I. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

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)***Right-of-use assets (Continued)*

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

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 (Continued)*

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

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)***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 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 with requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 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 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 leases 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 HK\$18,341,000 and right-of-use assets of HK\$18,717,000 at 1st January 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 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	(125)
Total undiscounted lease liabilities at 1st January 2019 for application of HKFRS 16	18,464
Weighted average incremental borrowing rate	2.7%
Lease liabilities at 1st January 2019	18,341
Analysed as	
Current	5,847
Non-current	12,494
	18,341

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)*For the six months ended 30th June 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)***

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	18,717
	<hr/> <hr/>
By class:	
Buildings	18,717
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 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)**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

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 2019	2018	Six months ended 30th June 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			(23,951)	(53,162)
Loss before tax			<u>(16,940)</u>	<u>(383,840)</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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

3. SEGMENT INFORMATION (Continued)**Continuing operations (Continued)****(b) An analysis of the Group's financial position by operating segments**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

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 external customers		Non-current assets (excluding financial instruments)	
	Six months ended 30th June 2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	At 30th June 2019 HK\$'000 (Unaudited)	At 31st December 2018 HK\$'000 (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	-	-
	1,528	2,966	175,260	142,287

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

4. REVENUE**Disaggregation of revenue from contracts with customers**

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
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
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
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>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

6. FINANCE COSTS

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

7. LOSS BEFORE TAX

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

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
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
	28,758	362,291
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

8. INCOME TAX EXPENSE

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

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. Details of the assets and liabilities disposed of and the calculation of the gain on disposal, are disclosed on note 19.

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 (note 19)	1,465,231
Profit for the period from discontinued operation	1,458,855

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

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 HK\$'000 (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 (note 19)	<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>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)*For the six months ended 30th June 2019***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 HK\$'000 (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
	<u><u>45</u></u>

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

10. (LOSS)/EARNINGS PER SHARE (Continued)**From continuing and discontinued operations (Continued)**

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.

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)
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the period from continuing operations attributable to owners of the Company)	(16,888)	(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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

10. (LOSS)/EARNINGS PER SHARE (Continued)**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
2018 to
respective date
of disposal of
subsidiaries
HK\$'000
(Unaudited)

Earnings

Earnings for the purpose of basic and diluted earnings per share
(profit for the period from discontinued operation
attributable to owners of the Company)

1,458,855

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. PROPERTY, PLANT AND EQUIPMENT**Acquisition**

During the period under review, the Group acquired property, plant and equipment with a cost of approximately HK\$3,145,000 (Six months ended 30th June 2018: HK\$2,016,000) from the continuing operations.

On the date of application of HKFRS 16, the Group recognised right-of-use assets of HK\$18,717,000 included in property, plant and equipment and lease liabilities of HK\$18,341,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

13. LOAN TO A DIRECTOR

	At 30th June 2019 HK\$'000 (Unaudited)	At 31st December 2018 HK\$'000 (Audited)
At the beginning of the reporting period	327,903	293,371
Imputed interest income	32,418	59,532
Interest received and receivables	(12,397)	(25,000)
	<hr/> 347,924 <hr/>	<hr/> 327,903 <hr/>
At the end of the reporting period	347,924	327,903

On 29th November 2016, Best Combo Limited ("Best Combo"), a wholly-owned subsidiary of the Company, as a lender, and Ms. Chen Ming Yin, Tiffany ("Ms. Chen"), the director of the Company, as a borrower, entered into a loan agreement (the "Loan Agreement") pursuant to which Best Combo has agreed to grant to Ms. Chen a fixed term loan (the "Loan") in the principal amount of HK\$500,000,000 (subject to the loan amount adjustment). The Loan is interest bearing at 5% per annum, repayable on the date falling 60 months from the drawdown date of the Loan and secured by way of a share charge over the entire issued share capital of Reform Base Holdings Limited ("Reform Base"), a company incorporated in the British Virgin Islands and wholly owned by Ms. Chen.

Ms. Chen can repay the Loan (together with accrued interest) in full after the date of drawdown without penalty provided not less than ten business dates' prior written notice has been given the Best Combo.

Pursuant to the Loan Agreement, Ms. Chen has agreed to grant the call option to Best Combo which allows Best Combo to require Ms. Chen to sell the entire issued share capital of Reform Base at HK\$500,000,000 (subject to the loan amount adjustment) during the exercise period falling on the expiry of 60 months from the drawdown date of Loan.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)*For the six months ended 30th June 2019***14. STOCK OF PROPERTIES**

	At 30th June 2019 HK\$'000 (Unaudited)	At 31st December 2018 HK\$'000 (Audited)
Properties under development held for sales		
At the beginning of the reporting period	2,508,568	2,107,376
Additions	316,386	401,192
	<hr/>	<hr/>
At the end of the reporting period	2,824,954	2,508,568
	<hr/> <hr/>	<hr/> <hr/>

The stock of properties is located in Macau and held under medium-term leases.

Properties under development held for sales are expected to be recovered after more than one year.

At 30th June 2019, the Group's stock of properties with carrying amounts of approximately HK\$1,429,052,000 (31st December 2018: HK\$1,113,595,000) have been pledged for secured bank borrowings granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

14. STOCK OF PROPERTIES (Continued)

In September 2013, the government of Macau Special Administrative Region (the "Macau Government") promulgated the Macau New Land Law (the "MNLL") which came into effect in March 2014. The MNLL provides that the Macau Government will have the right to resume the land of any property development that is not completed and/or where the conditions as stated in the land concession for which have not been fulfilled by the stipulated expiry date without any compensation to the property owner.

Owing to the delays caused by the Macau Government in granting the requisite approvals and permits for the development of the property located in Lot 6B at Zona de Aterros do Porto Exterior (ZAPE) ("Lot 6B"), Lot 6B could not commence development and the Macau Government has started the administrative work to reclaim it. Lot 6B is one of the four lots of land in a project held under development and Lot 6B is intended to be developed as recreational area. The Group has filed an appeal to the president of the Macau Second Instance Court on 30th December 2016. On 11th June 2018, the Group received a letter dated 8th June 2018 from the Tribunal de Ultima Instancia of the Macau Government, in which the Tribunal de Ultima Instancia rejected the application of the final appeal. Accordingly, Lot 6B will be reclaimed by the Macau Government. According to the legal opinion obtained by the Company, the Group has strong legal ground to seek compensation for damages sustained by the Group as a result and the Court will consider and rule taking into account all the essential points including delays caused by the Macau Government. As such, the Group has seek legal advice from its Macau legal representative and consider to make an application in this regard if necessary. At 30th June 2019, the Group is still considering the possibility of seeking civil claims against the Macau Government and have to assess its damages in this situation before it can proceed with any actions.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30th June 2019 HK\$'000 (Unaudited)	At 31st December 2018 HK\$'000 (Audited)
List securities classified as held for trading investments:		
– Equity securities listed in Hong Kong, at fair value	212,416	234,029
Unlisted investment:		
– Unlisted club debenture	–	80
Derivative financial instruments:		
– Call option embedded in loan to a director (the "Call Option")	179,748	219,372
	392,164	453,481

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

At the end of the reporting period, all financial assets at FVTPL are stated at fair value. Fair value of listed securities classified as held for trading investments (other than suspended trading security listed in Hong Kong) are determined with reference to quoted market closing price.

At the end of reporting period, the fair value of suspended trading security listed in Hong Kong with the amount of HK\$4,065,000 (31st December 2018: HK\$3,549,000) was reference to the valuation carried out by Graval Consulting Limited, a firm of independent qualified professional values. The fair value of suspended trading security listed in Hong Kong was valued by using the marketing approach with a discount rate of negative 74.85% at 30th June 2019. The discount rate is used to reflect the risk of exposure to corporate governance, illiquidity and financial distress etc. perceived by market participants who hold the suspended shares with remote likelihood of trade resumption.

At the end of the reporting period, the fair value of the Call Option with the amount of HK\$179,748,000 (31st December 2018: HK\$219,372,000) was arrived on the basis of valuation carried out by Graval Consulting Limited. The fair value of the Call Option was valued by using the discounted cash flow method with discount rate of 14.42% at 30th June 2019. A discount rate is the expected rate of return (or yield) that an investor would have to give up by investing in the subject investment instead of other available alternative investments that are comparable in terms of risk and other investment characteristics.

16. SHARE CAPITAL

	Number of shares		Amount	
	At 30th June 2019 '000 (Unaudited)	At 31st December 2018 '000 (Audited)	At 30th June 2019 HK\$'000 (Unaudited)	At 31st December 2018 HK\$'000 (Audited)
Ordinary shares of HK\$0.01 each				
Authorised:				
At the beginning/end of the reporting period	<u>50,000,000</u>	<u>50,000,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
At the beginning of the reporting period	2,801,111	903,704	28,011	9,037
Repurchase of shares (note i)	(90,110)	–	(901)	–
Issue of new shares by way of rights issue (note ii)	–	1,807,407	–	18,074
Exercise of share options (note iii)	–	90,000	–	900
At the end of the reporting period	<u>2,711,001</u>	<u>2,801,111</u>	<u>27,110</u>	<u>28,011</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

16. SHARE CAPITAL (Continued)

Notes:

- (i) During the period ended 30th June 2019, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
May 2019	74,280	0.80	0.74	57,796
June 2019	15,830	0.76	0.75	11,892
	90,110			69,688

The above ordinary shares were cancelled on 19th June 2019.

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

- (ii) On 6th August 2018, the Company allotted and issued 1,807,406,986 new ordinary shares at a subscription price of HK\$0.25 per share by way of rights issue to the qualifying shareholders of the Company on the basis of two right shares for every one existing ordinary share held on 11th July 2018. The net proceeds from rights issue of approximately HK\$448,350,000 will be used to finance the business operation of the property development and investment and fund the film and television drama series related business operations.
- (iii) During the year ended 31st December 2018, certain share option holders exercised their options right to subscribe for 90,000,000 ordinary shares at exercise price of HK\$0.56 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

17. BANK BORROWINGS

	At 30th June 2019 HK\$'000 (Unaudited)	At 31st December 2018 HK\$'000 (Audited)
Secured bank borrowings	758,010	–
Carrying amount that are repayable: More than 1 year but less than 5 years	758,010	–

At 30th June 2019, the Group's bank borrowings are secured by the Group's stock of properties with carrying amounts of approximately HK\$1,429,052,000 and the quota capital of China Star Creative Development Limited, personal guarantee provided by Mr. Heung Wah Keung ("Mr. Heung") and Ms. Chen and corporate guarantee provided by the Company together as securities, interest bearing at Hong Kong Interbank Offered Rate for three or six month period selected by the Group plus margin of 3.35% per annum and repayable by the earlier of (i) 36 months from date of the agreement of the loan or (ii) 9 month after date of issuing of the occupation permit of the Group's pledged properties.

18. TRADE PAYABLES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)*For the six months ended 30th June 2019***19. DISPOSAL OF SUBSIDIARIES**

On 10th October 2017, the Group entered into a conditional sale and purchase agreement to dispose the entire equity interest in the Disposal Group, which principally engaged in the hotel and gaming service operations in Macau, and sale loans due by the Disposal Group at total consideration of HK\$2,000,000,000 (subject to adjustment). The disposal was completed on 3rd January 2018.

Consideration transferred:

	<i>HK\$'000</i>
Initial cash consideration	2,000,000
Cash consideration received related to adjustment for net working capital	34,417
	<hr/>
Total consideration	2,034,417
	<hr/> <hr/>

Analysis of assets and liabilities over which control was lost:

	<i>HK\$'000</i>
Property, plant and equipment	299,126
Interests in leasehold land	318,366
Inventories	3,189
Trade receivables	16,912
Deposits, prepayment and other receivables	7,544
Cash and bank balances	75,103
Trade payables	(33,729)
Deposits received, accruals and other payables	(36,086)
Obligation under finance leases	(351)
Amount due to immediate holding company	(779,958)
Deferred tax liabilities	(80,888)
	<hr/>
Net liabilities disposed of	(210,772)
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)*For the six months ended 30th June 2019***19. DISPOSAL OF SUBSIDIARIES (Continued)***Gain on disposal of the Disposal Group:*

	<i>HK\$'000</i>
Total consideration	2,034,417
Net liabilities disposed of	210,772
Amount due to immediate holding company assigned to the purchaser	<u>(779,958)</u>
Gain on disposal of the Disposal Group	<u><u>1,465,231</u></u>

Net cash inflow arising on disposal of the Disposal Group:

	<i>HK\$'000</i>
Cash consideration received	2,034,417
Less: deposit received associated with the Disposal Group	(200,000)
Less: cash and bank balances disposed of	<u>(75,103)</u>
Net cash inflow	<u><u>1,759,314</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

20. PLEDGE OF ASSETS

- (a) At 30th June 2019, the Group's stock of properties with carrying amounts of approximately HK\$1,429,052,000 (31st December 2018: HK\$1,113,595,000) and the quota capital of China Star Creative Development Limited, personal guarantee provided by Mr. Heung and Ms. Chen and corporate guarantee provided by the Company together as securities, have been pledged to secure banking facilities granted to the Group.
- (b) At 30th June 2019, the Group's time deposits with amounts of approximately HK\$271,000 (31st December 2018: HK\$249,000) are pledged for guaranteed to Macau Government for development of stock of properties located in Macau.

21. COMMITMENTS

The Group had the following outstanding commitments at the end of the reporting period:

	At 30th June 2019 HK\$'000 (Unaudited)	At 31st December 2018 HK\$'000 (Audited)
Authorised and contracted, but not provided for:		
– Development expenditure for stock of properties in Macau	565,255	901,776
– Film rights, films in progress and film deposits	79,016	116,597
– Decoration cost for the Group's properties	299	–
	644,570	1,018,373

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**(a) Fair value hierarchy**

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30th June 2019 (Unaudited)				
<i>Fair value on a recurring basis</i>				
Financial assets at FVTPL:				
– Equity securities listed in Hong Kong	208,351	–	4,065	212,416
– Call Option	–	–	179,748	179,748
	<u>208,351</u>	<u>–</u>	<u>183,813</u>	<u>392,164</u>
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31st December 2018 (Audited)				
<i>Fair value on a recurring basis</i>				
Financial assets at FVTPL:				
– Equity securities listed in Hong Kong	230,480	–	3,549	234,029
– Unlisted club debenture in Hong Kong	–	80	–	80
– Call Option	–	–	219,372	219,372
	<u>230,480</u>	<u>80</u>	<u>222,921</u>	<u>453,481</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)*For the six months ended 30th June 2019***22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)****(a) Fair value hierarchy (Continued)**

The Group's policy is to recognise transfers into and out of fair value hierarchy at the end of the date of the events or change in circumstance that caused the transfer.

During the six months ended 30th June 2019 and the year ended 31st December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The following table presents the changes in financial assets at FVTPL which are classified as Level 3 instruments for the six months ended 30th June 2019:

	HK\$'000
At 1st January 2018 (Audited)	217,579
Gain arising on change in fair value of financial assets at FVTPL	5,342
	<hr/>
At 31st December 2018 and at 1st January 2019 (Audited)	222,921
Loss arising on change in fair value of financial assets at FVTPL	(39,108)
	<hr/>
At 30th June 2019 (Unaudited)	183,813
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)**(a) Fair value hierarchy (Continued)**

Information about Level 3 fair value measurements

	Valuation Techniques	Significant unobservable input	Relation of significant unobservable inputs to fair value
Call Option	Binomial option pricing model	Underlying assets value	The underlying assets value is positively correlated to the fair value measurement
		Expected volatility	The expected volatility is positively correlated to the fair value measurement
Suspended trading security listed in Hong Kong	Market approach	Holdings return basis of negative 37.73% (31st December 2018: 53.15%)	The holding return basis is positively correlated to the fair value measurement
		Price-to-earning basis of 30.58 (31st December 2018: 27.13)	The price-to-earning basis is positively correlated to the fair value measurement
		Discount rate of negative 74.85% (31st December 2018: 78.01%)	The discount rate is negatively correlated to the fair value measurement

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)**(a) Fair value hierarchy (Continued)**

In estimating the fair value of an asset, management work closely with Graval Consulting Limited to establish the appropriate valuation techniques and inputs to the model. Management reports the findings to the directors at the end of each reporting period to explain the cause of fluctuations in fair value of the asset.

Information about the valuation techniques and inputs used in determining the fair value of the Call Option and the suspended trading security listed in Hong Kong are disclosed above.

Binomial option pricing model is used for valuation for the Call Option. The inputs into the model at 30th June 2019 and 31st December 2018 are as follow:

	At 30th June 2019 (Unaudited)	At 31st December 2018 (Audited)
Underlying assets value (HK\$'000)	492,534	507,478
Exercise price (HK\$'000)	500,000	500,000
Expected volatility (%)	40.82	43.00
Dividend yield	N/A	N/A
Option life (years)	2.77	3.27
Risk free rate (%)	1.52	1.72

(b) Fair value of financial assets and financial liabilities

The carrying amounts of the Group's financial assets and financial liabilities recognised at amortised cost in the Interim Financial Information approximate to their fair values, except for the following financial instruments, for which carrying amount and fair value are disclosed below:

	At 30th June 2019		At 31st December 2018	
	Carrying amount HK\$'000 (Unaudited)	Fair value HK\$'000	Carrying amount HK\$'000 (Audited)	Fair value HK\$'000
Loan to a director	347,924	406,024	327,903	330,923

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2019

23. MATERIAL RELATED PARTY TRANSACTIONS

- (a) During the period under review, the Group entered into the following transactions with its related parties:

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Nature of transactions		
Income received from a joint venture:		
Management fee income	270	600
Income received and receivable from a substantial shareholder and the director:		
Loan interest income	32,418	28,842
Expenses paid and payable to a substantial shareholder and the director:		
Interest on promissory note	-	1,871
	32,418	28,842

- (b) For the six months ended 30th June 2019, Mr. Heung and Ms. Chen provided personal guarantee to a bank to secure banking facilities granted to the Group.
- (c) During the year ended 31st December 2018, the Company had advanced payment of approximately HK\$22,960,000 to certain key management personnel. At 30th June 2019, amounts of approximately HK\$10,080,000 was still outstanding and included in other receivables.

24. MAJOR NON-CASH TRANSACTION

The Group entered into the following major non-cash investing and financing activities which are not reflected in the condensed consolidated statement of cash flows during the six months ended 30th June 2018:

During the period ended 30th June 2018, the Group had acquired partial property, plant and equipment with the amounts of the approximately HK\$943,000 which was unsettled at 30th June 2018 and included in deposits received, accruals and other payables.

25. EVENTS AFTER THE REPORTING PERIOD

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

26. COMPARATIVE FIGURES

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

27. APPROVAL AND AUTHORISATION FOR ISSUE OF INTERIM FINANCIAL INFORMATION

The Interim Financial Information were approved and authorised for issue by the Board on 30th August 2019.

INDEPENDENT REVIEW REPORT



31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 1 to 43, which comprise the condensed consolidated statement of financial position of China Star Entertainment Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") as of 30th June 2019 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of the interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT (Continued)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Ng Ka Wah

Practising Certificate Number: P06417

Hong Kong, 30th August 2019

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 HK\$12.5 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).

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Film Related Business Operations (Continued)

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).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Property Development and Investment Operations (Continued)

Project Tiffany House is adjacent to Macao Polytechnic Institute and next to Golden Lotus Square, and is a couple of blocks away from Macao 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Discontinued Operation (Continued)

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%).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE (Continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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.

OTHER INFORMATION

CHANGE OF ADDRESS OF REGISTERED OFFICE IN BERMUDA

As announced on 8th July 2019, the address of the Company's registered office in Bermuda has been changed to Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda with effect from 15th July 2019.

CHANGES IN INFORMATION OF DIRECTORS

The changes in information of directors as required to be disclosed pursuant to Rule 13.51B of the Listing Rules since the date of the 2018 Annual Report of the Company are set out below:

Mr. Hung Cho Sing, an independent non-executive director of the Company, resigned as non-executive director of Universe Entertainment and Culture Group Limited (Stock code: 1046) with effect from 31st July 2019.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30th June 2019, the interests of the directors and their associates in the shares and the underlying shares of the Company and its associated corporations, as recorded in the register ("Register of Interests") maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Interests in ordinary shares of the Company

Name of director	Capacity	Number of Shares held	Approximate percentage of Interests held
Mr. Heung Wah Keung	Interest of controlled corporation	1,597,015,595*	58.90
Ms. Chen Ming Yin, Tiffany	Interest of controlled corporation	1,597,015,595*	58.90

All interests stated above represent long positions.

* These shares are held as to 1,597,013,951 shares by Heung Wah Keung Family Endowment Limited ("HWKFE") (a company owned as to 50% by Mr. Heung Wah Keung and as to 50% by Ms. Chen Ming Yin, Tiffany) and as to 1,644 shares by Dorest Company Limited (a company beneficially owned as to 60% by Ms. Chen Ming Yin, Tiffany and as to 40% by Mr. Heung Wah Keung).

OTHER INFORMATION (Continued)

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Other than as disclosed above, as at 30th June 2019, none of the directors or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Register of Interests or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or the spouse or children under 18 years of age of such director, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2019, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name of shareholder	Capacity	Number of shares or underlying shares held	Approximate percentage of interests held
HWKFE	Beneficial owner	1,597,013,951	58.90

All interests stated above represent long positions.

Other than as disclosed above, the Company had not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital as at 30th June 2019.

SHARE OPTION SCHEME

Pursuant to a resolution passed at a special general meeting of the Company held on 28th June 2012, the Company adopted a new share option scheme (the "Option Scheme") to replace the share option scheme adopted on 21st January 2002.

Apart from the Option Scheme, the Company has no other share option scheme in place as at 30th June 2019.

No share option was outstanding, granted, exercised, lapsed, expired or cancelled during the six months ended 30th June 2019.

OTHER INFORMATION (Continued)

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:

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

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 repurchase 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.

OTHER INFORMATION (Continued)

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.

BOARD OF DIRECTORS

As at the date of this report, 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.

By Order of the Board
Heung Wah Keung
Chairman

Hong Kong, 30th August 2019