



CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)
Stock code : 326



INTERIM REPORT
2022

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Heung Wah Keung (*Chairman*)
Ms. Chen Ming Yin, Tiffany (*Vice Chairman*)
Ms. Li Yuk Sheung

Independent Non-Executive Directors

Mr. Hung Cho Sing
Mr. Ho Wai Chi, Paul
Mr. Tang Chak Lam, Gilbert

AUDIT COMMITTEE

Mr. Ho Wai Chi, Paul (*Chairman*)
Mr. Hung Cho Sing
Mr. Tang Chak Lam, Gilbert

REMUNERATION COMMITTEE

Mr. Hung Cho Sing (*Chairman*)
Ms. Chen Ming Yin, Tiffany
Mr. Tang Chak Lam, Gilbert

NOMINATION COMMITTEE

Mr. Tang Chak Lam, Gilbert (*Chairman*)
Mr. Heung Wah Keung
Mr. Hung Cho Sing

AUTHORISED REPRESENTATIVES

Ms. Li Yuk Sheung
Ms. Wong Shuk Han, Dorothy

COMPANY SECRETARY

Ms. Wong Shuk Han, Dorothy

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 3409
Shun Tak Centre, West Tower
168-200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Macau) Limited
The Bank of East Asia, Limited

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

LEGAL ADVISERS

Robertsons
Appleby
Clifford Chance
Leonel Alberto Alves Advogado e Notario Privado

STOCK CODE

326

WEBSITE

www.chinastar.com.hk
www.irasia.com/listco/hk/chinastar

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 2022 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2022

		Six months ended 30th June	
	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)
Continuing operations			
Revenue	4	252	35
Cost of sales		<u>–</u>	<u>–</u>
Gross profit		252	35
Other revenue and other income	5	31,518	42,404
Administrative expenses		(44,360)	(38,530)
Marketing, selling and distribution expenses		(1,277)	(110)
Gain arising on change in fair value of investment property		3,023	947
Loss arising on change in fair value of financial assets at fair value through profit or loss		(23,380)	(38,344)
		<u>(34,224)</u>	<u>(33,598)</u>
Loss from operations			
Finance costs	6	(1,069)	(969)
Share of result of a joint venture		<u>–</u>	<u>(2)</u>
Loss before tax from continuing operations			
Income tax expense	7 8	(35,293) (650)	(34,569) (1)
		<u>(35,943)</u>	<u>(34,570)</u>
Loss for the period from continuing operations			
Discontinued operation			
Loss for the period from discontinued operation	9	<u>–</u>	<u>(1,427)</u>
Loss for the period		<u>(35,943)</u>	<u>(35,997)</u>

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the six months ended 30th June 2022

	Six months ended 30th June	
	2022	2021
Notes	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Loss for the period attributable to:		
Owners of the Company		
– from continuing operations	(35,933)	(34,560)
– from discontinued operation	<u>–</u>	<u>(1,427)</u>
	(35,933)	(35,987)
Non-controlling interests		
– from continuing operations	(10)	(10)
– from discontinued operation	<u>–</u>	<u>–</u>
	(10)	(10)
	(35,943)	(35,997)
	HK cents	HK cents
Loss per share		
From continuing and discontinued operations		
– Basic and diluted	(1.44)	(1.42)
From continuing operations		
– Basic and diluted	(1.44)	(1.37)

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 2022

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Loss for the period	(35,943)	(35,997)
Other comprehensive (loss)/income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(81)</u>	<u>79</u>
Total comprehensive loss for the period	<u>(36,024)</u>	<u>(35,918)</u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	(36,014)	(35,908)
Non-controlling interests	<u>(10)</u>	<u>(10)</u>
	<u>(36,024)</u>	<u>(35,918)</u>
Total comprehensive loss for the period attributable to:		
Owners of the Company		
– from continuing operations	(36,014)	(34,481)
– from discontinued operation	<u>-</u>	<u>(1,427)</u>
	<u>(36,014)</u>	<u>(35,908)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2022

	Notes	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	60,540	52,206
Investment property	12	154,804	162,176
Interest in a joint venture		–	–
		215,344	214,382
Current assets			
Stock of properties	13	3,626,842	3,555,091
Film rights		8,837	8,837
Films in progress		76,321	76,321
Investment in films	14	109,724	83,083
Loan to a director	15	500,000	481,606
Trade receivables	16	1,966	1,998
Deposits, prepayment and other receivables		518,478	669,331
Financial assets at fair value through profit or loss	17	69,535	92,915
Amount due from a joint venture		60	45
Time deposits		280	279
Cash and bank balances		209,597	102,021
		5,121,640	5,071,527
Total assets		5,336,984	5,285,909

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30th June 2022

	Notes	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
Capital and reserves			
Share capital	18	24,858	24,858
Reserves		3,003,766	3,039,780
Equity attributable to owners of the Company		3,028,624	3,064,638
Non-controlling interests		(672)	(662)
Total equity		3,027,952	3,063,976
Non-current liabilities			
Lease liabilities		5,895	–
Deferred tax liabilities		629	–
		6,524	–
Current liabilities			
Trade payables	19	23,516	58,392
Deposits received, accruals and other payables		82,574	84,234
Lease liabilities		3,173	981
Bank borrowings	20	1,600,000	1,478,850
Financing note payables	21	90,129	96,360
Amounts due to non-controlling interests		503,116	503,116
		2,302,508	2,221,933
Total liabilities		2,309,032	2,221,933
Total equity and liabilities		5,336,984	5,285,909
Net current assets		2,819,132	2,849,594
Total assets less current liabilities		3,034,476	3,063,976

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 2022

	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Exchange reserve	Bonus convertible bonds reserve	Property revaluation reserve	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
At 1st January 2021 (Audited)	26,306	1,776,920	519,961	542	1,132	48,171	1,062,882	3,435,914	(643)	3,435,271
Loss for the period	-	-	-	-	-	-	(35,987)	(35,987)	(10)	(35,997)
Other comprehensive income for the period	-	-	-	79	-	-	-	79	-	79
Total comprehensive income/(loss) for the period	-	-	-	79	-	-	(35,987)	(35,908)	(10)	(35,918)
Shares repurchased and cancelled	(1,448)	(212,702)	-	-	-	-	-	(214,150)	-	(214,150)
Costs attributable to repurchase and cancellation of shares	-	(845)	-	-	-	-	-	(845)	-	(845)
At 30th June 2021 (Unaudited)	24,858	1,563,373	519,961	621	1,132	48,171	1,026,895	3,185,011	(653)	3,184,358
At 1st January 2022 (Audited)	24,858	1,563,373	519,961	757	1,132	-	954,557	3,064,638	(662)	3,063,976
Loss for the period	-	-	-	-	-	-	(35,933)	(35,933)	(10)	(35,943)
Other comprehensive loss for the period	-	-	-	(81)	-	-	-	(81)	-	(81)
Total comprehensive loss for the period	-	-	-	(81)	-	-	(35,933)	(36,014)	(10)	(36,024)
At 30th June 2022 (Unaudited)	24,858	1,563,373	519,961	676	1,132	-	918,624	3,028,624	(672)	3,027,952

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June 2022

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash used in operating activities	(21,758)	(110,692)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	13,061	12,968
Dividend received	3	–
Payment for purchases of property, plant and equipment	(1,568)	(619)
Balance payment for purchase of investment property	–	(126,935)
Placement of time deposits with original maturities more than three months	(1)	(2)
Net cash generated from/(used in) investing activities	11,495	(114,588)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,161)	(28,474)
Proceed from bank borrowings	121,150	78,070
Net proceed from financing note payable	–	95,096
Repayment of lease liabilities	(2,305)	(2,376)
Payment for repurchase of shares	–	(214,995)
Net cash generated from/(used in) financing activities	117,684	(72,679)
Increase/(decrease) in cash and cash equivalents	107,421	(297,959)
Cash and cash equivalents at the beginning of the reporting period	102,021	503,450
Effect of foreign exchange rate changes	155	(171)
Cash and cash equivalents at the end of the reporting period	209,597	205,320

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June 2022

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 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The Interim Financial Information contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since the 2021 annual financial statements. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Other than additional accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the Interim Financial Information for the six months ended 30th June 2022 are the same as those presented in the Group's audited consolidated financial statements for the year ended 31st December 2021.

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

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January 2022 for the preparation of the Interim Financial Information:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

3. SEGMENT INFORMATION

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

The Group has two reportable segments – film related business operations and property development and investment operations. The segmentations are based on the information about the operations of the Group that management uses to make decisions.

An operating segment regarding the restaurant operations was discontinued in the year ended 31st December 2021. The segment information reported below does not include any amounts for this discontinued operation, which are described in more details in note 9 to the unaudited condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

3. SEGMENT INFORMATION (Continued)

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

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

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

Segment information about these operations is presented as below:

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

	Segment revenue		Segment results	
	Six months ended 30th June		Six months ended 30th June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Continuing operations				
Film related business operations	252	35	(6,153)	(5,635)
Property development and investment operations	-	-	(10,383)	(9,271)
	<u>252</u>	<u>35</u>	<u>(16,536)</u>	<u>(14,906)</u>
Reconciliation from segment results to loss before tax				
Unallocated corporate income			30,854	41,832
Loss arising on change in fair value of financial assets at fair value through profit or loss ("FVTPL")			(23,380)	(38,344)
Share of result of a joint venture			-	(2)
Unallocated corporate expenses			(26,231)	(23,149)
Loss before tax			<u>(35,293)</u>	<u>(34,569)</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

3. SEGMENT INFORMATION (Continued)

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

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

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

	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
ASSETS		
Segment assets		
– Film related business operations	541,616	643,660
– Property development and investment operations	3,998,414	3,807,808
Total segment assets	4,540,030	4,451,468
Unallocated assets	796,954	834,441
	5,336,984	5,285,909
LIABILITIES		
Segment liabilities		
– Film related business operations	72,171	73,279
– Property development and investment operations	2,215,697	2,134,484
Total segment liabilities	2,287,868	2,207,763
Unallocated liabilities	21,164	14,170
	2,309,032	2,221,933

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

3. SEGMENT INFORMATION (Continued)

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

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

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

(c) Geographical information

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

	Revenue from external customers		Non-current assets (excluding financial instruments)	
	Six months ended 30th June		At 30th June	At 31st December
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Audited)
Hong Kong	-	12	57,825	51,089
Macau	-	-	1,102	754
Taiwan	-	-	156,417	162,539
The People's Republic of China (the "PRC")	189	-	-	-
Others	63	23	-	-
	<u>252</u>	<u>35</u>	<u>215,344</u>	<u>214,382</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

4. REVENUE

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

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Disaggregation of revenue from contracts with customers		
Distribution fee income	252	23
Artist management service income	-	12
	<hr/>	<hr/>
Revenue from contracts with customers	252	35
	<hr/> <hr/>	<hr/> <hr/>
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Revenue from contracts with customers		
Timing of revenue recognition		
A point in time	252	35
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

5. OTHER REVENUE AND OTHER INCOME

	Six months ended 30th June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)
Continuing operations		
Dividend income	3	–
Bank interest income	663	571
Loan interest income	30,792	41,152
Net foreign exchange gain	–	673
Sundry income	60	8
	<u>31,518</u>	<u>42,404</u>

6. FINANCE COSTS

	Six months ended 30th June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Continuing operations		
Interests on bank borrowings	26,565	27,604
Interests on financing note payables	199	99
Bank guarantee charges	689	749
Interests on lease liabilities	103	56
Other finance costs	78	65
	<u>27,634</u>	<u>28,573</u>
Interest capitalised to stock of properties	(26,565)	(27,604)
	<u>1,069</u>	<u>969</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

7. LOSS BEFORE TAX

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

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Depreciation of property, plant and equipment	3,705	4,973
Employee benefit expenses (included directors' remunerations)	21,652	21,983
Expense relating to short-term leases	1,506	461
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	59	51
Gain arising on change in fair value of investment property	(3,023)	(947)
Loss arising on change in fair value of financial assets at FVTPL	23,380	38,344
Net foreign exchange loss/(gain)	8,233	(673)
	8,233	(673)

8. INCOME TAX EXPENSE

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax:		
– PRC Enterprise Income Tax	–	
Deferred tax	650	–
	650	

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

8. INCOME TAX EXPENSE (Continued)

The PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% for both periods. Macau subsidiaries are subject to Macau Complementary Tax at the maximum progressive rate of 12% on the estimated assessable profit for both periods. The Taiwan subsidiary is subject to Taiwan corporate tax, the first NT\$120,000 taxable income of Taiwan subsidiary is exempted from corporate tax and taxable income above NT\$120,000 is taxed at 20%.

No provision for the PRC Enterprise Income Tax has been made for the six months ended 30th June 2022 as the Group has no assessable profits arising in the PRC.

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

9. DISCONTINUED OPERATION

On 30th September 2021, the Group closed down its restaurant located in Hong Kong permanently which constituted a major line of business. The comparative figures in the unaudited condensed consolidated income statement have been restated to re-present the restaurant operation as a discontinued operation.

	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Revenue	1,132
Cost of sales	(295)
	<hr/>
Gross profit	837
Other revenue and other income	101
Administrative expenses	(2,365)
	<hr/>
Loss before tax	(1,427)
Income tax expense	–
	<hr/>
Loss for the period	(1,427)
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

9. DISCONTINUED OPERATION (CONTINUED)

Loss for the period from discontinued operation has been arrived at after charging:

	Six months ended 30 June 2021 HK\$'000 (Unaudited)
Cost of inventories sold	295
Depreciation of property, plant and equipment	952
Employee benefit expenses	1,098
Loss on written off of property, plant and equipment	2
	<u>2</u>

10. INTERIM DIVIDEND

No interim dividend was paid or proposed during the six months ended 30th June 2022 and 2021.

11. LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(35,933)	(35,987)
	<u><u>(35,933)</u></u>	<u><u>(35,987)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

II. LOSS PER SHARE (Continued)

Six months ended 30th June

2022	2021
'000	'000
(Unaudited)	(Unaudited)

Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted loss per share

2,486,911	2,527,170
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Pursuant to the deed polls of the bonus convertible bonds ("Bonus CBs"), the Bonus CBs conferred the holders with the same economic interests attached to the shareholders of the Company. Accordingly, 1,060,317 (30th June 2021: 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 2021: HK\$265,000) outstanding Bonus CBs are included in the weighted average number of ordinary shares for calculating the basic loss per share for the six months ended 30th June 2022 and 30th June 2021.

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

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

2022	2021
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Loss

Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share

(35,933)	(34,560)
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The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

From discontinued operation

Basic and diluted loss per share for the six months ended 30th June 2021 from discontinued operation was HK0.05 cents per share, based on the loss for the period from discontinued operation of HK\$1,427,000 and the denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

12. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the six months ended 30th June 2022, the Group acquired property, plant and equipment with a cost of HK\$11,960,000 (six months ended 30th June 2021: HK\$619,000).

The Group's investment property at the end of the current interim period were valued by the external valuers by adopting direct comparison method. Direct comparison method assumes the property is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable property sales evidence as available in the relevant markets. The resulting increase in fair value of investment property of HK\$3,023,000 (six months ended 30th June 2021: HK\$947,000) has been recognised directly in profit or loss for the six months ended 30th June 2022.

13. STOCK OF PROPERTIES

	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
Properties under development held for sales		
At the beginning of the reporting period	3,555,091	3,275,151
Additions	45,186	225,364
Interest capitalised	26,565	54,576
	3,626,842	3,555,091

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

At 30th June 2022, the Group's stock of properties with carrying amounts of approximately HK\$2,230,990,000 (31st December 2021: HK\$2,159,307,000) have been pledged for secured bank facilities granted to the Group. These properties under development held for sale are expected to be recovered within one year. Others are expected to be recovered after more than one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

14. INVESTMENT IN FILMS

	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
Investment in films production	109,724	83,083

Investment in films production represents fund advanced to licensed production houses for co-financing the production of films. The investment is governed by the relevant investment agreement entered into between the Group and the production house whereby the Group is entitled to benefits generated from the distribution of the related film. The amount will be recoverable by the Group from a pre-determined share of the net distribution revenue of the respective co-financed film to be provided and confirmed by the relevant production house.

All investments which entitles the Group to receive cash flows that are not solely payments of principal and interest are carried at fair value.

15. LOAN TO A DIRECTOR

	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
At the beginning of the reporting period	481,606	420,504
Imputed interest income	30,792	86,102
Interest received and receivables	(12,398)	(25,000)
At the end of the reporting period	500,000	481,606

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

15. LOAN TO A DIRECTOR (Continued)

Ms. Chen can repay the Loan (together with accrued interest) in full after the drawdown date 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 a call option embedded in the Loan (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 the Loan.

On 6th April 2017, the drawdown date of the Loan, the directors have recognised the amounts of approximately HK\$271,908,000 and HK\$228,092,000 for the loan portion and the call option portion respectively by reference to the fair value arrived on the basis of valuation performed by Graval Consulting Limited ("Graval"), a firm of independent qualified professional valuers.

On 28th January 2022 and 11th February 2022, Best Combo and Ms. Chen entered into a second deed of variation and a side letter respectively, pursuant to which Best Combo and Ms. Chen have agreed to (i) conditional upon the Company having obtained approval from the independent shareholders of the Company, extend the final repayment date of the Loan to the date falling on the expiry of 69 months from the drawdown date of the Loan, i.e., 5th January 2023; and (ii) extend the exercisable period of the Call Option to any time within the date falling on the expiry of 69 months from the drawdown date of the Loan, i.e., 5th January 2023.

On 24th June 2022, Best Combo and Ms. Chen entered into a third deed of variation, pursuant to which Best Combo and Ms. Chen have agreed to (i) conditional upon the Company having obtained approval from the independent shareholders of the Company, further extend the final repayment date of the Loan to the date falling on the expiry of 81 months from the drawdown date of the Loan, i.e., 5th January 2024; and (ii) extend the exercisable period of the Call Option to any time within the date falling on the expiry of 81 months from the drawdown date of the Loan, i.e., 5th January 2024. The third deed of variation superseded and replaced the second deed of variation and the side letter. As the extension of the exercise period of the Call Option is unconditional, the exercise period of the Call Option has been extended accordingly. At 30th June 2022, the extension of the final repayment date of the Loan is subject to independent shareholders' approval of the Company.

During the six months ended 30th June 2022 and 30th June 2021, the maximum amount outstanding to the Group is HK\$500,000,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

16. TRADE RECEIVABLES

	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
Trade receivables	2,652	2,684
Less: allowance for expected credit loss ("ECL")	(686)	(686)
	1,966	1,998

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

	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
0 to 30 days	300	38
31 to 60 days	–	1,463
61 to 90 days	125	175
Over 90 days	1,541	322
	1,966	1,998

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

The movement in the allowance for ECL in respect of trade receivables under simplified approach during the period is as follows:

	Lifetime ECL (not credit-impaired)		Lifetime ECL (credit-impaired)	
	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
At the beginning of the reporting period	46	–	640	640
Allowance for ECL for the period	–	46	–	–
At the end of the reporting period	46	46	640	640

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
Listed securities classified as held for trading investments:		
– Equity securities listed in Hong Kong	66,047	87,531
Derivative financial instruments:		
– Call Option	3,488	5,384
	69,535	92,915

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 are determined with reference to quoted market closing price.

At the end of the reporting period, the fair value of the Call Option with the amount of HK\$3,488,000 (31st December 2021: HK\$5,384,000) was arrived by reference to valuation performed by Graval. The fair value of the Call Option was valued by using the binomial option pricing model with discount rate of 6.7% (31st December 2021: 9.7%). 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.

The fair value of the Group's equity securities listed in Hong Kong at the date of approval of these condensed consolidated financial statements were approximately HK\$75,590,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

18. SHARE CAPITAL

	Number of shares		Amount	
	At 30th June 2022 '000 (Unaudited)	At 31st December 2021 '000 (Audited)	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 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	<u>2,485,851</u>	<u>2,630,611</u>	<u>24,858</u>	<u>26,306</u>
Shares repurchased and cancelled	<u>-</u>	<u>(144,760)</u>	<u>-</u>	<u>(1,448)</u>
At the end of the reporting period	<u>2,485,851</u>	<u>2,485,851</u>	<u>24,858</u>	<u>24,858</u>

19. TRADE PAYABLES

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

	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
0 to 30 days	<u>10,516</u>	<u>48,144</u>
31 to 60 days	<u>110</u>	<u>3,232</u>
61 to 90 days	<u>-</u>	<u>-</u>
Over 90 days	<u>12,890</u>	<u>7,016</u>
	<u>23,516</u>	<u>58,392</u>

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 2022

20. BANK BORROWINGS

	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
Secured bank borrowings	1,600,000	1,478,850
Carrying amount are repayable: Within 1 year	1,600,000	1,478,850

At the end of the reporting period, the Group's bank borrowings are secured by the Group's stock of properties with carrying amounts of approximately HK\$2,230,990,000 (31st December 2021: HK\$2,159,307,000), 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 on 15th September 2022.

21. FINANCING NOTE PAYABLES

	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
Loan note	90,129	96,360

During the six months 30th June 2022, the Group has renewed the loan note for another six months period with maturity date on 29th August 2022. At 30th June 2022, the Group's investment property with carrying amount of HK\$154,804,000 (31st December 2021: HK\$162,176,000) has been pledged to a bank for obtaining its guarantee for the loan note issued by the Group. The bank guarantee will be expired on 24th January 2051.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

22. PLEDGE OF ASSETS

- (a) At 30th June 2022, the Group's stock of properties with carrying amounts of approximately HK\$2,230,990,000 (31st December 2021: HK\$2,159,307,000) 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 2022, the Group's time deposits with amounts of approximately HK\$249,000 (31st December 2021: HK\$249,000) are pledged as guarantee to Macau Government for development of stock of properties located in Macau.
- (c) At 30th June 2022, the Group's investment property with carrying amount of HK\$154,804,000 (31st December 2021: HK\$162,176,000) has been pledged to a bank for obtaining its guarantee for loan note issued by the Group.

23. COMMITMENTS

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

	At 30th June 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
Authorised and contracted, but not provided for:		
– Development expenditure for stock of properties in Macau	153,120	171,981
– Film rights, films in progress and film deposits	17,408	22,531
	170,528	194,512

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

- (a) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30th June 2022 (Unaudited)				
<i>Fair value on a recurring basis</i>				
Financial assets at FVTPL				
Equity securities listed in Hong Kong	66,047	-	-	66,047
Call Option	-	-	3,488	3,488
Investment in films, at fair value				
– films under production stage	-	-	81,634	81,634
– films under post-production/ distribution stage	-	-	28,090	28,090
	-	-	109,724	109,724
	66,047	-	113,212	179,259
	<u>66,047</u>	<u>-</u>	<u>113,212</u>	<u>179,259</u>
At 31st December 2021 (Audited)				
<i>Fair value on a recurring basis</i>				
Financial assets at FVTPL				
Equity securities listed in Hong Kong	87,531	-	-	87,531
Call Option	-	-	5,384	5,384
Investment in films, at fair value				
– films under production stage	-	-	54,993	54,993
– films under post-production/ distribution stage	-	-	28,090	28,090
	-	-	83,083	83,083
	87,531	-	88,467	175,998
	<u>87,531</u>	<u>-</u>	<u>88,467</u>	<u>175,998</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (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 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

During the year ended 31st December 2021, there were no transfers between Level 1 and Level 2, or transfers into Level 3. On 1st March 2021, the Group transferred the listed equity securities with an aggregate fair value of HK\$2,642,000 from Level 3 to Level 1 as the trading in the listed equity securities were permitted to recommence on the Stock Exchange on that date. Therefore, the fair value of the listed equity securities as at 31st December 2021 was determined based on a published quoted price available on the Stock Exchange.

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 2022:

	HK\$'000
Suspended equity securities listed in Hong Kong	
At 1st January 2021 (Audited)	2,642
Transfer out of Level 3	<u>(2,642)</u>
At 31st December 2021 (Audited), 1st January 2022 and 30th June 2022 (Unaudited)	<u><u>-</u></u>
	HK\$'000
Call Option	
At 1st January 2021 (Audited)	62,910
Loss arising on change in fair value	<u>(57,526)</u>
At 31st December 2021 (Audited) and 1st January 2022	5,384
Loss arising on change in fair value	<u>(1,896)</u>
At 30th June 2022 (Unaudited)	<u><u>3,488</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

- (a) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (Continued)

	HK\$'000
Investment in films, at fair value	
At 1st January 2021 (Audited)	–
Increase in investment in films	115,299
Loss arising on change in fair value	(32,216)
	<hr/>
At 31st December 2021 (Audited) and 1st January 2022	83,083
Increase in investment in films	26,641
	<hr/>
At 30th June 2022 (Unaudited)	109,724
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

- (a) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (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 Expected volatility	The underlying assets value is positively correlated to the fair value measurement of the Call Option The expected volatility is positively correlated to the fair value measurement of the Call Option
Investment in films under production stage, at fair value	Cost approach	Budgeted investment cost	The budgeted investment cost is positively correlated to the fair value measurement of investment in films at fair value
Investment in films under post-production/distribution stage, at fair value	Discounted cash flows approach	Discount rate of 14% (31st December 2021: 14%)	The discount rate is negatively correlated to the fair value measurement of investment in films at fair value

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

- (a) **Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (Continued)**

Information about Level 3 fair value measurements (Continued)

In estimating the fair value of an asset, the management of the Company work closely with Graval to establish the appropriate valuation techniques and inputs to the model. The management of the Company 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 above fair value are disclosed above.

Binomial option pricing model is used for valuation for the Call Option. The inputs into the model at 30th June 2022 and 31st December 2021 are as follow:

	At 30th June 2022 (Unaudited)	At 31st December 2021 (Audited)
Underlying assets value (HK\$'000)	447,420	454,976
Exercise price (HK\$'000)	500,000	500,000
Expected volatility (%)	19.69	45.77
Dividend yield	N/A	N/A
Option life (years)	1.52	0.27
Risk free rate (%)	2.37	0.14

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair value of the Group's financial instruments that are not measured at fair value on a recurring basis

Except as disclosed below, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated financial statements approximate their fair values as at 30th June 2022 and 31st December 2021:

	At 30th June 2022		At 31st December 2021	
	Carrying amount HK\$'000 (Unaudited)	Fair value HK\$'000 (Unaudited)	Carrying amount HK\$'000 (Audited)	Fair value HK\$'000 (Audited)
Loan to a director	500,000	494,650	481,606	500,005

The fair value of loan to a director is classified as Level 3 category in fair value hierarchy which has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the return required by the holder for investing in similar financial instrument.

25. MATERIAL RELATED PARTY TRANSACTIONS

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

Nature of transactions	Six months ended 30th June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Income received and receivable from a substantial shareholder and the director of the Company: Loan interest income	30,792	41,152

- (b) For the six months ended 30th June 2022 and 30th June 2021, Mr. Heung and Ms. Chen provided personal guarantee to a bank to secure banking facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June 2022

26. EVENTS AFTER THE REPORTING PERIOD

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

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation and the disclosure requirements in respect of the discontinued operation set out in note 9 to the Interim Financial Information.

28. APPROVAL AND AUTHORISATION FOR ISSUE OF THE INTERIM FINANCIAL INFORMATION

The Interim Financial Information were approved and authorised for issue by the Board of Directors on 30th August 2022.



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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 condensed consolidated financial statements of China Star Entertainment Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 35, which comprise the condensed consolidated statement of financial position of as of 30th June 2022 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 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 these 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 30th June 2022 are 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 2022

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30th June 2022, the Group recorded revenue of HK\$252,000, representing an increase of 620% from HK\$35,000 for the last corresponding period.

Loss for the period amounted to HK\$35,943,000 (Six months ended 30th June 2021: HK\$35,997,000), no material fluctuation from the last corresponding period. Loss for the period mainly included recognition of loss arising on change in fair value of financial assets at fair value through profit or loss of HK\$23,380,000 (Six months ended 30th June 2021: HK\$38,344,000) and administrative expenses of HK\$44,360,000 (Six months ended 30th June 2021: HK\$38,530,000) and partially offset by other revenue and other income of HK\$31,518,000 (Six months ended 30th June 2021: HK\$42,404,000).

Loss attributable to owners of the Company from continuing operations for the six months ended 30th June 2022 amounted to HK\$35,933,000, representing an increase of 4% from HK\$34,560,000 for the last corresponding period.

Loss attributable to owners of the Company from discontinued operation for the period ended 30th June 2021 amounted to HK\$1,427,000.

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2022 (Six months ended 30th June 2021: nil).

BUSINESS REVIEW

Continuing Operations

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

Of the total revenue amount for the period, HK\$252,000 or 100% was generated from film related business operations and no revenue was generated from property development and investment operations.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Continuing Operations (Continued)

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.

After the outbreak of Coronavirus Disease 2019 ("COVID-19") in early 2020, all film productions have temporary suspended or slowed down. During this difficult period, we concentrate to pre-production stage of film production such as preparation of story board. The Group will pay close attention to the development of the COVID-19 outbreak and adjust its business strategy on our film related business operations.

In the first half of the year 2022, revenue from film related business operations amounted to HK\$252,000 (Six months ended 30th June 2021: HK\$35,000) and its segment loss amounted to HK\$6,153,000 (Six months ended 30th June 2021: HK\$5,635,000). During the six months ended 30th June 2022, the Group did not started production of any new film or television drama series. This revenue arised from distribution of films in film library.

Property Development and Investment Operations

Property development and investment operations mainly included 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 named as "Tiffany House" (the "Tiffany House").

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). The Group has submitted a development plan of the Property to the Land, Public Works and Transport Bureau of Macau ("DSSOPT"), pursuant to which the Property C7 shall be developed into two residential buildings, comprising an eight-storey building and a nine-storey building, with two basement levels of parking area underneath both buildings. The further development of Property C7 and its development plan is awaiting response or further instructions from DSSOPT.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Continuing Operations (Continued)

Property Development and Investment Operations (Continued)

The Group is currently indirectly interested in 50% of the Property C7. Ms. Chen Ming Yin Tiffany ("Ms. Chen") had granted a call option (the "Call Option") to Best Combo Limited, a wholly owned subsidiary of the Company ("Best Combo") which allowed Best Combo to require Ms. Chen to sell the entire issued share capital of Reform Base Holdings Limited that indirectly held 25% of the Property C7 at consideration of HK\$500,000,000 (subject to adjustment) during the exercise period falling on the expiry of 60 months from 6th April 2017 (the "Exercisable Period") and Best Combo had granted a fixed term loan at principal amount of HK\$500,000,000 (subject to adjustment), interest bearing at 5% and repayable on the date falling 60 months from 6th April 2017 ("Final Repayment Date"). On 28th January 2022 and 11th February 2022, Best Combo and Ms. Chen entered into a second deed of variation and a side letter respectively (the "Second Deed of Variation"), pursuant to which Best Combo and Ms. Chen have, among others, conditionally agreed to extend the Exercisable Period and Final Repayment Date to the date falling on the expiry of 69 months from 6th April 2017, i.e., 5th January 2023. On 24th June 2022, Best Combo and Ms. Chen entered into a third deed of variation which superseded and replaced the Second Deed of Variation, pursuant to which Best Combo (as lender) and Ms. Chen (as borrower) have agreed to (i) conditional upon the Company having obtained approval from the independent shareholders of the Company, extend the Final Repayment Date to the date falling on the expiry of 81 months from 6th April 2017, i.e., 5th January 2024; and (ii) extend the Exercisable Period to any time within the date falling on the expiry of 81 months from 6th April 2017, i.e., 5th January 2024. As the extension of the Exercisable Period of the Call Option is unconditional, the Exercisable Period is extended accordingly. As at the reporting date, the extension of the Final Repayment Date is still subject to approval from the independent shareholders of the Company at the special general meeting to be convened and held on 14th September 2022. Details are disclosed in the Company's circular dated 26th August 2022.

Tiffany House is located adjacent to Macao Polytechnic Institute and next to Golden Lotus Square, and is a couple of blocks away from Macau Fisherman's Wharf and Sands Casino. Tiffany House has a gross floor area of (a) residential – 31,192 square meters, including approximately 1,900 square meters for clubhouse, (b) commercial – 3,716 square meters and (c) parking – 11,250 square meters and provides 230 units in two towers, with units ranging from studio flats to four-bedroom apartments as well as special units and 272 carparks and 75 motorcycle parks. A prestigious clubhouse provides a wide range of facilities and retail space at the podium will become a major shopping arcade in the nearby area. Construction works started in June 2017 and has obtained its occupational permit in December 2019. Tiffany House has obtained all permits for sales and thus can launch sales anytime. In order to increase the marketability of Tiffany House, the Group decided to set up a sales centre in Hong Kong so as to absorb potential buyers outside Macau. Both Hong Kong and Macau sales centres are in service now. The Group has postponed the launch of sales of Tiffany House to the second half of 2022 due to the outbreak of the COVID-19 pandemic and the social distancing and preventive measures in Macau recently. During this period, the Group will focus its effort on its strategic planning on promotion and marketing on Tiffany House in Mainland China and Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Continuing Operations (Continued)

Property Development and Investment Operations (Continued)

The Group's luxury residential apartment with two car parking spaces in Taiwan (the "Taiwan Property") which is held as an investment property for long term capital growth. The Taiwan Property is under renovation. The Taiwan Property is held for rental purpose and is expected to generate rental income to the Group.

No revenue was recorded for property development and investment operations in the first half of the year 2022 and 2021 and its segment loss amounted to HK\$10,383,000 (Six months ended 30th June 2021: HK\$9,271,000). The segment loss mainly represented administrative expenses and marketing and selling expenses incurred during the period and the increase in segment loss mainly due to expenses incurred in preparation for sale of Tiffany House.

Discontinued Operation

Restaurant Operations

The Group's restaurant "Obba Bar" served various high-ended international cuisine and was located in the Group's owned property in Sheung Wan.

In the first half of the year 2021, revenue from restaurant operations amounted to HK\$1,132,000 and its segment loss amounted to HK\$1,427,000. The Group had worked on every effort to improve the performance of the operation of Obba Bar and its revenue showed slight improvement. However, after careful consideration, the Group considered that the location of the restaurant was a fatal factor for its unsatisfactory performance. Therefore, Obba Bar ceased its operation at end of September 2021 and the owned property in Sheung Wan, Hong Kong was disposed by the Group during the year ended 31st December 2021.

Geographical Segments

For the geographical segments, revenue of HK\$189,000 or 75% was sourced from China and HK\$63,000 or 25% was sourced from other territories during the period.

Administrative Expenses

For the six months ended 30th June 2022, administrative expenses amounted to HK\$44,360,000 (Six months ended 30th June 2021: HK\$38,530,000), representing increase of 15%. The increase mainly included an exchange loss of HK\$8,233,000 which was arising from devaluation in value of Renminbi and New Taiwan Dollar. The Group recorded exchange gain of HK\$673,000 for the six months ended 30th June 2021.

Marketing, Selling and Distribution Expenses

For the six months ended 30th June 2022, marketing, selling and distribution expenses amounted to HK\$1,277,000 (Six months ended 30th June 2021: HK\$110,000), representing increase of 1,061%. The increase mainly included operation expenses of Hong Kong sales centre which will assist marketing of Tiffany House. The marketing and selling expenses are expected to continue increase upon launching of sales of Tiffany House.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Finance Costs

For the six months ended 30th June 2022, finance costs amounted to HK\$1,069,000 (Six months ended 30th June 2021: HK\$969,000) were charged to the condensed consolidated income statement and interests financing construction costs of Tiffany House amounted to HK\$26,565,000 (Six months ended 30th June 2021: HK\$27,604,000) were capitalised to stock of properties.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June 2022, the Group had total assets of HK\$5,336,984,000 (31st December 2021: HK\$5,285,909,000) and a net current assets of HK\$2,819,132,000 (31st December 2021: HK\$2,849,594,000), representing a current ratio of 2.2 (31st December 2021: 2.3). The Group had cash and bank balances and time deposits of HK\$209,877,000 (31st December 2021: HK\$102,300,000).

As at 30th June 2022, the Group had total borrowing of HK\$1,699,197,000 (31st December 2021: HK\$1,576,191,000) which comprised a secured bank term loan (the "Term Loan") of HK\$1,600,000,000 (31st December 2021: HK\$1,478,850,000), a short-term financing loan note (the "Note Payable") of HK\$90,129,000 (31st December 2021: HK\$96,360,000) and lease liabilities of HK\$9,068,000 (31st December 2021: HK\$981,000). The purpose of the Term Loan was to finance the construction costs and any other soft costs in relation to Tiffany House. The Term Loan is in multiple drawdown and secured by the leasehold land and properties to be erected on the land of Tiffany House with carrying amount as stock of properties of HK\$2,230,990,000, 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 Tiffany House. The maturity date of the Term Loan has extended to 15th September 2022. As at the date of approving these interim results, the Group is still in negotiation with the bank to further extend the maturity date of Term Loan or restructure a new bank loan to replace the Term Loan. The Group does not foresee any problem for such extension or refinancing given that the construction works of Tiffany House has completed and Tiffany House is ready for sales. The Note Payable is interest bearing at fixed interest rate of 0.25% semi-annually with maturity on 29th August 2022 and is expected to renew for every six months period. Investment property in carrying amount of HK\$154,804,000 had been pledged for obtaining its guarantee for the Note Payable issued by the Group that was used to finance the operation in Taiwan. The Group can apply for renewal of the Note Payable for every six months period and the bank guarantee will expired on 24th January 2051 or upon early termination.

As at 30th June 2022, the Group had banking facilities amounting to HK\$1,600,000,000 which were fully utilised. The Group's gearing was acceptable during the period with total debts of HK\$1,699,197,000 (31st December 2021: HK\$1,576,191,000) against owners' equity of HK\$3,028,624,000 (31st December 2021: HK\$3,064,638,000). This represents a gearing ratio, calculated in the basis of the Group's total borrowings over owners' equity of 56% (31st December 2021: 51%).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE (Continued)

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\$98,850,000 was used to fund the film and television drama series related business operations as intended during the years ended 31st December 2018 and 2019; and HK\$350,000,000 was originally intended to be applied to finance the business operations of the property development and investment. On 27th January 2021, the Group utilized proceeds of approximately HK\$160,365,000 for completion of the acquisition of the Taiwan Property. For the year ended 31st December 2021, HK\$60,000,000 and HK\$68,580,000 were utilized for the marketing and promotion of Tiffany House and advance payment of construction costs for Tiffany House respectively with remaining proceeds of HK\$61,055,000 was unused. For the six months ended 30th June 2022, HK\$26,098,000 were utilized for the marketing and promotion and construction costs of Tiffany House and HK\$68,580,000 was refund upon drawdown of the Term Loan with remaining net proceeds of HK\$103,537,000 was unused and will be utilized as intended.

As at the date of approving these interim results and 30th June 2022, the fair value of the Group's equity securities listed in Hong Kong held at 30th June 2022 was approximately HK\$75,590,000 and HK\$66,047,000 respectively. During the six months ended 30th June 2022, the Group did not acquire or disposed any equity securities listed in Hong Kong. The loss arising on change in fair value of financial assets at fair value through profit and loss of HK\$21,484,000 was resulted from change in fair values of equity securities listed in Hong Kong between the six months period 31st December 2021 and 30th June 2022. As at 30th June 2022, no single equity security's fair value held by the Group accounted for 5% or more of the total assets of the Group.

PLEDGE OF ASSETS

As at 30th June 2022, stock of properties in carrying amount of HK\$2,230,990,000 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; time deposit in amount of HK\$249,000 had been pledged as guarantee to Macau government for the deposits in the development of stock of properties in Macau; and investment property in carrying amount HK\$154,804,000 had been pledged to a bank for obtaining its guarantee for the Note Payable issued by the Group.

EXCHANGE RISK AND HEDGING

The majority of the Group's transactions, assets and liabilities are denominated in Hong Kong Dollar, Macau Pataca, United States Dollar, New Taiwan Dollar and Renminbi. The exposure to fluctuation in exchange rates in New Taiwan Dollar and Renminbi mainly arises from assets and liabilities related to the Taiwan Property and receipts and expenditure incurred in film investment, production and distribution respectively. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

COMMITMENTS

As at 30th June 2022, outstanding commitments by the Group amounted to HK\$170,528,000, of which HK\$153,120,000 as development expenditure for stock of properties in Macau and HK\$17,408,000 for film rights, films in progress and film deposits.

CONTINGENT LIABILITIES

As at 30th June 2022, the Group had no material contingent liability.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2022, the Group employed 81 staff (Six months ended 30th June 2021: 61 staff) with employee benefit expenses (included directors' remuneration) of HK\$21,652,000 (Six months ended 30th June 2021: HK\$21,983,000) from the continuing operations, a decrease of 2%. There is no material fluctuation for the employee benefit expenses. The increase in headcount as at 30th June 2022 are mainly staffs who are responsible for preparation for sales and management services of Tiffany House in Macau. 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 date.

PROSPECT

The business environment continues to be influenced by the outbreak of the COVID-19 pandemic, especially in Mainland China, Hong Kong and Macau. For the film related business operation, the Group has continued its policy on slowdown its productions and waits for clear and positive signs of economic recovery prior to any further investment.

For the property development and investment operations, due to the recent outbreak of COVID-19 and the social distancing and preventive measures in Macau, the Group is still awaiting proper time for launching sales of Tiffany House. During this period, the Group has focused its effort to promote and market Tiffany House in Mainland China and Hong Kong. Tiffany House is well accepted by its high-quality construction and design standards. The Group is still optimistic towards the prospects of the property market in Macau in the medium term, as it is expected that the economy will gradually show signs of recovery following stabilisation of the COVID-19 pandemic situation. With the gradual lifting of anti-epidemic measures, the Group expects release of inbound control measures in Mainland China, Hong Kong and Macau to benefit the property market in Macau. The Group will seize this opportunity to launch sales of Tiffany House at the appropriate time.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30th June 2022, 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	1,640,375,595*	65.98
Ms. Chen Ming Yin, Tiffany	Interest of controlled corporation	1,640,375,595*	65.98

All interests stated above represent long positions.

* These shares are held by Heung Wah Keung Family Endowment Limited ("HWKFE") which is beneficially owned as to 50% by Mr. Heung Wah Keung and as to 50% by Ms. Chen Ming Yin, Tiffany.

Other than as disclosed above, as at 30th June 2022, 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.

OTHER INFORMATION (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2022, 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	1,640,375,595	65.98

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 2022.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 29th June 2022, the Company adopted a new share option scheme (the "Option Scheme") to replace the share option scheme adopted on 28th June 2012. The principal terms of the Option Scheme were disclosed in the Company's circular dated 30th May 2022.

Apart from the Option Scheme, the Company has no other share option scheme in place as at 30th June 2022.

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices. The Company has applied the principles and complied with all the applicable code provisions laid down in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period from 1st January 2022 to 30th June 2022.

ADOPTION OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30th June 2022. The Model Code also applies to other specified senior management of the Group.

OTHER INFORMATION (Continued)

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2022.

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 2022 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosure has been made.

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 2022