CHINA STAR ENTERTAINMENT LIMITED

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

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2013

FINAL RESULTS

The board of directors (the "Board") of China Star Entertainment Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2013 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Turnover	3	**1,404,629**	1,464,979
Cost of sales		**(720,917)**	(809,166)
Gross profit		**683,712**	655,813
Other revenue	4	**14,414**	18,415
Other income	5	**1,091**	377
Administrative expenses		**(445,749)**	(441,234)
Marketing, selling and distribution expenses		**(77,115)**	(51,582)
Gain/(loss) arising on change in fair value of financial assets classified as held for trading investments		**6,050**	(16,260)
Other operating expenses		**(49,866)**	(25,932)

CONSOLIDATED INCOME STATEMENT (CONTINUED)
For the year ended 31st December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Profit from operations		**132,537**	139,597
Finance costs	6	**(41,431)**	(45,589)
Share of losses of joint ventures		**(322)**	(17)
Profit before tax	7	**90,784**	93,991
Income tax credit	8	**555**	535
Profit for the year		**91,339**	94,526
Profit/(loss) for the year attributable to:			
Owners of the Company		**93,817**	53,360
Non-controlling interests		**(2,478)**	41,166
		91,339	94,526
Earnings per share			
Basic	10	**HK cents 2.44**	HK cents 0.92
Diluted	10	**HK cents 1.67**	HK cents 0.92

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**91,339**	94,526
Other comprehensive income		
Items that may be reclassified subsequently to consolidated income statement:		
Exchange differences arising on translation of foreign operations	**31**	20
Other comprehensive income for the year	**31**	20
Total comprehensive income for the year	**91,370**	94,546
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**93,860**	53,381
Non-controlling interests	**(2,490)**	41,165
	91,370	94,546

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	11	**646,470**	547,062
Interests in leasehold land		**461,625**	484,492
Investment property		**6,190**	–
Goodwill		**3,030**	3,030
Intangible assets	12	**31,223**	75,176
Interests in joint ventures		**28,317**	28,639
Interests in associates		**–**	2,377
		1,176,855	1,140,776
Current assets			
Inventories		**81,979**	53,345
Stock of properties		**563,742**	561,976
Film rights		**17,867**	18,156
Films in progress		**2,140**	3,190
Trade receivables	13	**278,918**	329,937
Deposits, prepayments and other receivables		**50,057**	42,822
Held for trading investments		**57,576**	30,189
Amounts due from associates		**–**	21,176
Amounts due from non-controlling interest		**19**	–
Prepaid tax		**179**	176
Cash and bank balances		**390,241**	578,863
		1,442,718	1,639,830
Total assets		**2,619,573**	2,780,606
Capital and reserves			
Share capital		**65,673**	16,859
Reserves		**1,569,041**	1,570,542
Equity attributable to owners of the Company		**1,634,714**	1,587,401
Non-controlling interests		**(2,228)**	(191)
Total equity		**1,632,486**	1,587,210

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31st December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Amounts due to non-controlling interests	14	**127,503**	–
Bank borrowings		**300,000**	350,000
Obligations under finance leases		**20**	43
Convertible bonds		**220,869**	341,231
Deferred tax liabilities		**82,746**	83,714
		731,138	774,988
Current liabilities			
Bank borrowings		**67,292**	70,875
Obligations under finance leases		**23**	111
Trade payables	15	**98,367**	251,821
Deposits received, accruals and other payables		**90,267**	75,166
Amount due to an associate		**–**	20,279
Amount due to non-controlling interests		**–**	152
Tax payable		**–**	4
		255,949	418,408
Total liabilities		**987,087**	1,193,396
Total equity and liabilities		**2,619,573**	2,780,606
Net current assets		**1,186,769**	1,221,422
Total assets less current liabilities		**2,363,624**	2,362,198

NOTES:

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

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning from 1st January 2013. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised)	Employee Benefits
HKAS 27 (Revised)	Separate Financial Statements
HKAS 28 (Revised)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle Issued in June 2012
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

The Group has early adopted HKAS 36 (Amendments) *Recoverable Amount Disclosures for Non-Financial Assets*, which is effective for annual periods beginning on or after 1st January 2014.

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The adoption of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years.

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

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Other than HKFRS 12, the application of HKFRS 10, HKFRS 11, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1st January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. The amendments to HKAS 1 require additional disclosures to be made in other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on consolidated income statement and consolidated statement of comprehensive income.

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

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

HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle Issued in January 2014[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle Issued in January 2014[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
HKFRS 9	Financial Instruments[5]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[5]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
HK(IFRIC) – Int 21	Levies[1]

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

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

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

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

[5] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

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

Annual Improvements to HKFRSs 2010-2012 Cycle

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

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

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

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

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

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

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

The directors of the Company do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Group's consolidated financial statements.

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

Annual Improvements to HKFRSs 2011-2013 Cycle

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

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

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

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

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

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

The directors of the Company do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011-2013 Cycle* will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

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

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

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the defined benefit plan had no contribution made by employees or third parties.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The directors of the Company anticipate that the application of these amendments to HKAS 32 may results in more disclosure being made in the future.

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

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

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK (IFRIC) – Int 21 Levies

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

The directors of the Company anticipate that the application of HK (IFRIC) – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs issued but not yet effect will have no significant impact on the Group's financial performance and financial position for the future and/or the disclosure set out in the consolidated financial statements of the Group.

2. SEGMENT INFORMATION

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

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

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

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

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

2. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Segment revenue		Segment results	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hotel and gaming service operations	**1,240,253**	1,316,553	**215,789**	192,827
Gaming promotion operations	**6,836**	15,544	**(37,102)**	(9,022)
Film distribution operations	**641**	683	**(4,673)**	(1,630)
Property development operations	**45**	–	**(2,716)**	(90)
Nam Pei Hong operations	**156,854**	132,199	**(2,680)**	(968)
	1,404,629	1,464,979	**168,618**	181,117
Reconciliation from segment results to profit before tax				
Unallocated corporate income			**1,186**	3,801
Gain/(loss) arising on change in fair value of financial assets classified as held for trading investments			**6,050**	(16,260)
Unallocated corporate expenses			**(85,070)**	(74,667)
Profit before tax			**90,784**	93,991

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year ended 31st December 2013 (2012: nil).

Segment results represent the profit/(loss) earned/(suffered) by each segment without allocation of central administrative costs, partial finance costs, partial other operating expenses and share of losses of joint ventures under the heading of "unallocated corporate expenses", partial other revenue and other income under the heading of "unallocated corporate income" and gain/(loss) arising on change in fair value of financial assets classified as held for trading investments. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

2. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

	2013	2012
	HK$'000	*HK$'000*
ASSETS		
Segment assets		
– Hotel and gaming service operations	**1,409,441**	1,594,464
– Gaming promotion operations	**24,967**	67,699
– Film distribution operations	**29,467**	35,187
– Property development operations	**739,651**	573,608
– Nam Pei Hong operations	**123,938**	107,696
Total segment assets	**2,327,464**	2,378,654
Unallocated assets	**292,109**	401,952
Consolidated assets	**2,619,573**	2,780,606
LIABILITIES		
Segment liabilities		
– Hotel and gaming service operations	**485,842**	665,547
– Gaming promotion operations	**5**	5
– Film distribution operations	**8,120**	7,478
– Property development operations	**2,150**	–
– Nam Pei Hong operations	**33,251**	42,494
Total segment liabilities	**529,368**	715,524
Unallocated liabilities	**457,719**	477,872
Consolidated liabilities	**987,087**	1,193,396

For the purposes of resources allocation and assessment of segment performance between segments:

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

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

2. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

	Hotel and gaming service operations		Gaming promotion operations		Film distribution operations		Property development operations		Nam Pei Hong operations		Unallocated		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment results or segment assets:														
Amortisation of intangible assets	–	–	–	–	–	–	–	–	**1,226**	1,226	–	–	**1,226**	1,226
Amortisation of interests in leasehold land	**20,992**	20,992	–	–	–	–	–	–	–	–	**1,875**	1,875	**22,867**	22,867
Depreciation of property, plant and equipment	**82,805**	93,413	–	–	–	–	**1,867**	–	**1,147**	1,090	**2,356**	2,055	**88,175**	96,558
Impairment loss recognised in respect of deposits, prepayment, and other receivables	**42**	–	–	–	**3,406**	–	–	–	–	–	–	–	**3,448**	–
Impairment loss recognised in respect of film rights	–	–	–	–	**289**	1,605	–	–	–	–	–	–	**289**	1,605
Impairment loss recognised in respect of films in progress	–	–	–	–	**1,050**	–	–	–	–	–	–	–	**1,050**	–
Impairment loss recognised in respect of goodwill	**911**	–	–	–	–	–	–	–	–	–	–	–	**911**	–
Impairment loss recognised in respect of intangible assets	–	–	**42,727**	24,327	–	–	–	–	–	–	–	–	**42,727**	24,327
Impairment loss recognised in respect of trade receivables	–	–	–	–	–	200	–	–	–	–	–	–	–	200
Loss/(gain) on disposal of property, plant and equipment	**1,898**	504	–	–	–	–	–	–	**66**	1	**(98)**	5	**1,866**	510
Loss on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	**1,174**	–	**1,174**	–
Loss on fair value change of investment property	–	–	–	–	–	–	**267**	–	–	–	–	–	**267**	–
Additions to non-current assets (other than financial instruments)*	**29,116**	4,340	–	–	–	–	**164,146**	–	**1,589**	1,218	**1,655**	878	**196,506**	6,436
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:														
Interests in joint ventures	–	–	–	–	–	–	–	–	–	–	**28,317**	28,639	**28,317**	28,639
Interests in associates	–	–	–	–	–	–	–	–	–	–	–	2,377	–	2,377
Interests income	**2,345**	2,147	–	972	**45**	1	**254**	132	**8**	13	**1,028**	3,740	**3,680**	7,005
Finance costs	**13,284**	15,078	–	–	–	–	**42**	–	**458**	465	**27,647**	30,046	**41,431**	45,589
Share of losses of joint ventures	–	–	–	–	–	–	–	–	–	–	**322**	17	**322**	17

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

2. SEGMENT INFORMATION (CONTINUED)

(d) Information about major customers

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

	2013	2012
	HK$'000	*HK$'000*
Hotel and gaming service operations		
Customer A	**1,095,520**	999,336
Customer B *(Note)*	**N/A**	215,116

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

Note: Revenue derived from Customer B did not contribute over 10% of turnover of the Group during the year ended 31st December 2013.

(e) Geographical information

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

	Revenue from external customers		**Non-current assets**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**154,398**	130,851	**278,238**	118,862
Macau	**1,248,578**	1,333,027	**898,614**	1,021,795
Other than Hong Kong and Macau	**1,653**	1,101	**3**	119
	1,404,629	1,464,979	**1,176,855**	1,140,776

3. TURNOVER

	2013	2012
	HK$'000	*HK$'000*
Hotel room income	**110,652**	94,436
Food and beverage sales	**34,081**	26,092
Service income from mass market table gaming operations	**927,417**	798,755
Service income from VIP rooms table gaming operations	**155,898**	184,330
Service income from slot machines operations	**12,205**	16,251
Gaming promotion fees	**–**	196,689
Receive profit streams from gaming promotion business	**6,836**	15,544
Film distribution fee income	**641**	683
Gross rental income	**45**	–
Sales of health products	**156,854**	132,199
	1,404,629	1,464,979

4. OTHER REVENUE

	2013	2012
	HK$'000	*HK$'000*
Interests income	**3,680**	7,005
Management fee income	**957**	2,330
Other ancillary hotel revenue	**9,777**	9,080
	14,414	18,415

5. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Net foreign exchange gain	**855**	310
Others	**236**	67
	1,091	377

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings – wholly repayable within five years	**13,756**	15,507
Finance leases	**31**	32
Imputed interests on convertible bonds	**27,644**	30,044
Other finance cost	**–**	6
	41,431	45,589

7. PROFIT BEFORE TAX

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

	2013	2012
	HK$'000	*HK$'000*
Amortisation of interests in leasehold land	**22,867**	22,867
Amortisation of intangible assets	**1,226**	1,226
Auditors' remuneration	**1,273**	1,216
Cost of inventories (included in cost of sales)	**114,851**	93,659
Depreciation of property, plant and equipment	**88,175**	96,558
Employee benefit expenses	**172,181**	145,682
Impairment loss recognised in respect of trade receivables	**–**	200
Impairment loss recognised in respect of deposits, prepayment and other receivables (included in other operating expenses)	**3,448**	–
Impairment loss recognised in respect of film rights (included in other operating expenses)	**289**	1,605
Impairment loss recognised in respect of films in progress (included in other operating expenses)	**1,050**	–
Impairment loss recognised in respect of goodwill (included in other operating expenses)	**911**	–
Impairment loss recognised in respect of intangible assets (included in other operating expenses)	**42,727**	24,327
Loss on disposal of subsidiaries (included in other operating expenses)	**1,174**	–
Loss on fair value change of investment property (included in other operating expenses)	**267**	–
Loss on disposal of property, plant and equipment	**1,866**	510
(Gain)/loss on disposal of financial assets classified as held for trading investments	**(1,109)**	328
(Gain)/loss arising on change in fair value of financial assets classified as held for trading investments	**(4,941)**	15,932
Operating lease rental in respect of premises	**20,252**	16,255
Share-based payment expenses in respect of consultancy services	**3,361**	–
Gross rental income from investment property	**(45)**	–
Less: Direct operating expenses incurred for investment property that did not generate rental income during the year	**10**	–
	(35)	–

8. INCOME TAX CREDIT

	2013	2012
	HK$'000	*HK$'000*
The income tax credit is as follow:		
Current tax:		
Macau Complementary Tax	**–**	(4)
Deferred tax:		
Current year	**555**	539
Total income tax credit for the year	**555**	535

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

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

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

No provision for Macau Complementary Tax has been made for the year ended 31st December 2013 as the Group has no assessable profit arising in Macau.

9. DIVIDEND AND DISTRIBUTION

Dividend

No final dividend was paid or proposed during 2013 and 2012, nor any dividend been proposed by the Board subsequent to the end of the reporting period.

Distribution

	2013	2012
	HK$'000	*HK$'000*
Special distribution made out in 2013		
– HK4 cents per share on 3,502,888,015 shares held by shareholders	**140,116**	–
– HK4 cents per share on 1,947,024,934 new shares to be issued to the holders of bonus convertible bonds	**77,880**	–
	217,996	–

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

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

10. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**93,817**	53,360
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds, net of income tax	**23,083**	–
Earnings for the purpose of diluted earnings per share	**116,900**	53,360

	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,850,659**	5,815,724
Effect of dilutive potential ordinary shares:		
Share options	**191,024**	–
Convertible bonds	**2,952,262**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,993,945**	5,815,724

The computations of basic and diluted earnings per share are based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31st December 2013 and 31st December 2012 as adjusted for the issuance of bonus shares and bonus convertible bonds which took place on 9th January 2013.

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

10. EARNINGS PER SHARE (CONTINUED)

The denominators used are same as those detailed above for both basic and diluted earnings per share for the year ended 31st December 2012.

As the Company's outstanding convertible bonds and share options where applicable had an anti-dilutive effect to the basic earnings per share calculation for the year ended 31st December 2012, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31st December 2013, the Group acquired items of property, plant and equipment with a cost of approximately HK$102,205,000 (2012: HK$6,436,000).

During the year ended 31st December 2013, the Group acquired a building with a cost of approximately HK$79,973,000 (2012: nil) through acquisition of a subsidiary.

12. INTANGIBLE ASSETS

At 31st December 2013, the directors of the Company have assessed the recoverable amount of intangible assets with reference to the valuation performed by Grant Sherman Appraisal Limited, a firm of independent qualified professional valuers, which valued the rights in sharing of profit streams pursuant to the respective junket representative agreement using the discounted cash flow method and determined that intangible assets associated with it was impaired by approximately HK$42,727,000 (2012: HK$24,327,000).

The impairment loss recognised during the year solely relates to the Group's rights in sharing of profit streams located in Macau. At 31st December 2013, intangible assets associated with the rights in sharing of profit streams has been reduced to its recoverable amount of approximately HK$24,093,000 (2012: HK$66,820,000), any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

13. TRADE RECEIVABLES

The Group's trade receivables arose from (i) hotel and gaming service, (ii) gaming promotion, (iii) film distribution and (iv) sales of health products for the year.

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables from:		
– Hotel and gaming service	**272,165**	323,711
– Gaming promotion	**492**	544
– Film distribution	**3,496**	3,947
– Sales of health products	**4,376**	3,330
	280,529	331,532
Less: Allowance for doubtful debts	**(1,611)**	(1,595)
	278,918	329,937

13. TRADE RECEIVABLES (CONTINUED)

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**274,691**	326,074
31 to 60 days	**2,153**	1,138
61 to 90 days	**149**	702
Over 90 days	**1,925**	2,023
	278,918	329,937

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

At 31st December 2013, trade receivables with the amounts of approximately HK$270,781,000 (2012: HK$322,634,000) is due from the Group's two largest customers. There is no other customers who represent more than 5% of the total balance of trade receivables.

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
At 1st January	**1,595**	1,518
Impairment loss recognised	**–**	200
Foreign exchange translation gain	**16**	8
Amounts written off as uncollectible	**–**	(131)
At 31st December	**1,611**	1,595

As at 31st December 2012, included in the allowance for doubtful debts are individually impaired trade receivables with a balance of HK$200,000 which are past due at the end of the reporting period. The allowance for doubtful debts recognised because there has been a significant change in credit quality and the amounts are considered irrecoverable.

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

13. TRADE RECEIVABLES (CONTINUED)

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Over 90 days	**1,925**	2,023

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

14. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

Amounts due to non-controlling interests are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors of the Company, non-controlling interests will not demand for repayment within twelve months after the end of the reporting period and amounts due to non-controlling interests are therefore shown as non-current.

15. TRADE PAYABLES

The Group's trade payables arose from (i) hotel and gaming service, (ii) film distribution and (iii) sales of heath products for the year.

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Trade payables from:		
– Hotel and gaming service	**82,538**	233,972
– Film distribution	**3,822**	4,275
– Sales of health products	**12,007**	13,574
	98,367	251,821

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**77,436**	230,385
31 to 60 days	**3,912**	5,358
61 to 90 days	**192**	2,659
Over 90 days	**16,827**	13,419
	98,367	251,821

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

16. COMPARATIVE FIGURES

Certain comparative figures of the previous year have been re-presented to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31st December 2013, the Group's turnover decreased by 4% to approximately HK$1,404,629,000 (2012: HK$1,464,979,000).

Profit from operations and profit for the year amounted to approximately HK$132,537,000 (2012: HK$139,597,000) and HK$91,339,000 (2012: HK$94,526,000) respectively.

The profit attributable to owners of the Company for the year ended 31st December 2013 increased by 76% to approximately HK$93,817,000 (2012: HK$53,360,000).

DIVIDEND AND DISTRIBUTION

The Board do not recommend the payment of a final dividend for the year ended 31st December 2013 (2012: nil).

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

BUSINESS REVIEW

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

Of the total turnover amount for the year, HK$1,240,253,000 or 88% was generated from hotel and gaming service operations, HK$6,836,000 or 1% was generated from gaming promotion operations, HK$641,000 or 0% was generated from film distribution operations, HK$45,000 or 0% was generated from property development operations and HK$156,854,000 or 11% was generated from Nam Pei Hong operations.

Hotel and Gaming Service Operations

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

Casino LKF is run by licence holder Sociedade de Jogos de Macau, S.A. ("SJM"). Classic has entered into gaming operation service agreements with SJM. Under the agreements, Classic will shared certain percentage of service income from SJM based on the gross wins of the table gaming and slot machines in Casino LKF. As at 31st December 2013, Casino LKF operated a total of 84 gaming tables, targeting both for the VIP rooms table gaming and the mass market table gaming. It also operated a total of 128 slot machines.

During the short 4-year period since launching, Lan Kwai Fong has been awarded with several international accolades, which included the "5th China Hotel Starlight Awards 2009 – Best Designed Boutique Hotel of China" and the "2012 TripAdvisor Travelers' Choice – Top 25 Trendiest Hotels in China". In respect of promoting the notion of environmental protection, Lan Kwai Fong has won the "AHF Asia Awards 2010 – Leading Green Hotel of Asia" and the "Macao Green Hotel Award 2010 – Bronze Award".

On 17th July 2012, the Group completed the acquisition of the remaining 50% equity interests in Hotel LKF and Classic and they become wholly owned subsidiaries of the Group.

The Group had shared revenue and segment profit of approximately HK$1,240,253,000 (2012: HK$1,316,553,000) and HK$215,789,000 (2012: HK$192,827,000) from the hotel and gaming service operations, a decrease of 6% and an increase of 12% respectively. Revenue in the hotel and gaming service operations mainly comprised of hotel room income of HK$110,652,000 (2012: HK$94,436,000), food and beverage sales of HK$34,081,000 (2012: HK$26,092,000), service income received from mass market table gaming, VIP rooms table gaming and slot machines of HK$927,417,000 (2012: HK$798,755,000), HK$155,898,000 (2012: HK$184,330,000) and HK$12,205,000 (2012: HK$16,251,000) respectively and gaming promotion fees of nil (2012: HK$196,689,000). The decrease in revenue mainly attributable to the decrease in gaming promotion fees because the Group did not provide this service in the year 2013. But the impact on the segment profit generated from the hotel and gaming service operations is limited as the profit margin from the gaming promotion fees is relatively low. The increase in profit margin was as a result of the effect of ceasing to provide marketing services in gaming promotion and the effective marketing plan and cost control measure. Mass market table gaming operations are more profitable than VIP rooms table gaming operations and thus Casino LKF had spent resources to expand its market share in the mass market table gaming operations and targeted the high end customers in the mass market table gaming and was continued to be successful during this year. The monthly service income from mass market table gaming increased 16% to HK$77,285,000 per month from HK$66,563,000 per month in the previous year and the monthly service income from VIP rooms table gaming decreased 15% to HK$12,992,000 per month from HK$15,361,000 per month in the previous year. Besides, the occupancy rate of Hotel LKF during the year increased by 10% to an average of about 96%.

Gaming Promotion Operations

The Group had shared revenue and segment loss of approximately HK$6,836,000 (2012: HK$15,544,000) and HK$37,102,000 (2012: HK$9,022,000) from the gaming promotion operations, a decrease of 56% and an increase of 311% respectively.

Since the year 2011, the revenue in sharing of profit streams from investments in the profit receiving company, Ocho Sociedade Unipessoal Limitada ("Ocho"), one of the gaming promotors at one of the VIP rooms at the Grand Lisboa Casino in Macau had apparently decreased. One of the characteristic of the VIP rooms table gaming is that the majority of the business volume is highly volatile. Ocho had lost its competitive advantage as it cannot offer a better than market commission to its quality sub-junkets or customers as they were attracted by other large and well equipped new hotels and casinos in Macau. The decrease in revenue sharing also impact and decrease the expected cash inflow from this operation and thus impairment loss in respect of the intangible assets of HK$42,727,000 (2012: HK$24,327,000) was recognised. This impairment was based on the recoverable amount of intangible assets by reference to the valuation report issued by a firm of independent qualified professional valuers using discounted cash flow method each year.

Film Distribution Operations

Film distribution operations included production and distribution of motion pictures and television drama series and provision of other film related services. During the year, the Group did not distributed any new film and new productions are in planning stage and shooting of one film is expected to begin in the second half of year 2014. The Group will plan well before engage in any new production.

In year 2013, revenue for film distribution operations amounted to HK$641,000 (2012: HK$683,000) and its segment loss amounted to HK$4,673,000 (2012: HK$1,630,000). The segment loss was mainly attributable to impairment loss recognised in respect of film distribution related operations of approximately HK$4,745,000 (2012: HK$1,605,000).

Property Development Operations

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

In February and September of 2013, the Group had completed the acquisition of properties located at the 4th Floor and the Ground Floor and its Cockloft of Nos. 1 and 3 Mercer Street, Hong Kong; and 1st Floor and the Ground Floor and its Cockloft of Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong respectively. The Group intended to develop the Ground Floor and its Cockloft of Nos. 1 and 3 Mercer Street, Hong Kong and 1st Floor and the Ground Floor and its Cockloft of Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong as the flagship stores of retail chain of Nam Pei Hong in Hong Kong and the 4th Floor of Nos. 1 and 3 Mercer Street, Hong Kong is rent out for investment purpose.

In year 2013, revenue from property development operations amounted to HK$45,000 (2012: nil) which represented rental income received and its segment loss amounted to approximately HK$2,716,000 (2012: HK$90,000).

Nam Pei Hong Operations

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

In year 2013, the Group had shared revenue of approximately HK$156,854,000 (2012: HK$132,199,000) and segment loss of approximately HK$2,680,000 (2012: HK$968,000) after deducting amortisation of intangible assets in respect of trademark and customer relationship in an aggregate amount of HK$1,226,000 for both years.

The retail shop in the Ground Floor and its Cockloft of Nos. 1 and 3 Mercer Street, Hong Kong had started business in mid March 2014 and another retail shop in 1st Floor and the Ground Floor and its Cockloft of Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong has just started renovation and is expected to open soon. With self-owned retail shops, Nam Pei Hong can achieved better profit margin with less influence by high rent. In the near future, the Board will continue to seek suitable location of retail shops to expand the business of Nam Pei Hong with budgeted overheads and will review and adjust the current shop locations. In order to provide our customers with a much comprehensive range of products to select, we did best to increase the varieties of our products during this year so that more new healthy products are directly imported from Korea and Taiwan, etc. The increase in revenue this year of approximately 19% from last year do reflect our effort in this aspect. The Group will continue to seek other suitable healthy products to meet our customers' needs.

Geographical Segments

For the geographical segments, revenue of HK$154,398,000 or 11% was sourced from Hong Kong, HK$1,248,578,000 or 89% was sourced from Macau and HK$1,653,000 or 0% was sourced from other territories, of which revenue from hotel and gaming service operations and gaming promotion operations are mainly sourced in Macau and revenue from Nam Pei Hong operations and property development operations are mainly sourced from Hong Kong.

Administrative Expenses

For the year ended 31st December 2013, administrative expenses (net of amortisation of interests in leasehold land and depreciation on property, plant and equipment in aggregate of HK$111,042,000 (2012: HK$119,425,000)) amounted to HK$334,707,000 (2012: HK$321,809,000), a 4% increase as compared to the last corresponding year. The minor increase was mainly attributable to the increase in staff costs and overhead expenses in the hotel and gaming service operations, which were partly offset by the decrease in casino management fees paid by Lan Kwai Fong during the year. Such management fees decreased because it was based on a fixed percentage of service income from VIP rooms table gaming that had decreased in the year 2013. Employee benefit expenses increased 14% to HK$166,795,000 (net of share-based payment expenses of HK$5,386,000 (2012: nil)) from HK$145,682,000 in the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2013, the Group had total assets of approximately HK$2,619,573,000 and a net current assets of HK$1,186,769,000, representing a current ratio of 5.6 (2012: 3.9). The Group had cash and bank balances of approximately HK$390,241,000 (2012: HK$578,863,000). As at 31st December 2013, the Group had total borrowings of HK$588,204,000 which comprised a secured bank term loan with remaining balance of HK$350,000,000 (the "Term Loan"), a secured mortgaged loan of HK$2,037,000 (the "Mortgage Loan"), unsecured bank loans in aggregate amount of HK$15,255,000, an outstanding convertible bonds with liabilities component of HK$220,869,000 and obligations under finance leases of HK$43,000.

The Term Loan was secured by the Group's leasehold land and buildings with carrying amounts of HK$639,895,000, interest bearing at 1.75% per annum below the Hong Kong Prime rate quoted by the bank and repayable by remaining of 7 equal consecutive quarterly installments of HK$12,500,000 each and a final repayment for the remaining balance of HK$262,500,000. The Mortgage Loan was secured by the Group's buildings with carrying amount of HK$78,494,000, interest bearing at 2.9% per annum below Hong Kong Dollar Best Lending Rate and repayable by consecutive monthly installments of approximately HK$29,000 per month and a final payment of remaining balance at the maturity date of the Mortgage Loan and contain a clause of repayable on demand. The unsecured bank loans comprised import trade loans of HK$11,789,000 (the "Import Loan") and two unsecured bank loans of HK$2,666,000 (the "Loan I") and HK$800,000 (the "Loan II") granted under the Special Loan Guarantee Scheme of the Government of HKSAR. The Import loan was interest bearing at 2% per annum over one month HIBOR, repayable on demand and guaranteed by an ex-shareholder of a subsidiary of the Company. The Loan I was interest bearing at 2.5% per annum over one month HIBOR and repayable by remaining of 25 equal consecutive monthly installments of approximately HK$108,000 per month and a final repayment for the remaining balance. The Loan II was interest bearing at 2.5% per annum over one month HIBOR and repayable by remaining of 8 equal consecutive monthly installments of HK$100,000 each. Loan I and Loan II were 80% guaranteed by the Government of HKSAR and 100% guaranteed by an ex-shareholder of a subsidiary of the Company. The outstanding convertible bonds in aggregate principal amount of HK$225,000,000 (with liability component of HK$220,869,000) were unsecured, interest bearing at coupon rate of 8% per annum and will mature on 6th July 2016. The convertible bonds carry the right to convert into shares of the Company at an adjusted conversion price of HK$0.11 per share as of 31st December 2013.

As at 31st December 2013, the Group had banking facilities amounting to HK$558,000,000 which were utilised to the extent of HK$523,789,000. The Group's gearing was acceptable during the year with total debts of HK$588,204,000 against owners' equity of HK$1,634,714,000. This represents a gearing ratio, calculated in the basis of the Group's total debts over equity attributable to owners of the Company of 36% (2012: 48%).

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong Dollars, Macau Pataca, United States Dollars and Renminbi, the exposure to fluctuation in exchange rates was considered to be minimal and no hedge activity were considered necessary. As at 31st December 2013, the Group had no contingent liability.

On 2nd January 2013, 2,407,201 new shares were issued on the conversion of the warrants of the Company at the subscription price of HK$0.069 per share. Thereafter, the Company has no more outstanding warrants.

On 9th January 2013, the Company issued 514,463,056 bonus shares (the "Bonus Shares") and HK$28,471,249.34 convertible bonds (the "Bonus CBs") on the basis of two bonus shares for every one existing share held on 6th December 2012 with an option to elect to receive the Bonus CBs in lieu of all or part of their entitlement to the Bonus Shares pursuant to a mandate granted by the shareholders of the Company at the special general meeting of the Company held on 25th October 2012. The Bonus CBs are convertible into 2,847,124,934 new shares at subscription price of HK$0.01 per share (subject to adjustment in accordance with the deed poll of the Bonus CBs).

On 10th January 2013, the Company entered into a placing agreement with a placing agent to place on a best effort basis up to 400,000,000 new shares of HK$0.01 each to independent investors at a price of HK$0.14 per share. 400,000,000 new shares was issued on 30th January 2013 under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 28th June 2012. The net proceeds of approximately HK$55,300,000 were used for property investment in Hong Kong.

On 2nd October 2013, HK$125,000,000 convertible bonds issued to Eternity Investment Limited ("Eternity") on 7th July 2011 were converted into 1,136,363,636 shares at the adjusted convertible price of HK$0.11 per share. As at 31st December 2013, the Company and Eternity entered into a supplemental agreement pursuant to which both parties agreed to extend the completion date of the second tranche subscription for convertible bonds in the principal amount of HK$300,000,000 from 31st December 2013 further extend to 31st December 2015.

On 18th November 2013, the Company announced to raise not less than approximately HK$328,370,000 and not more than approximately HK$339,900,000 before expenses by way of open offer (the "Open Offer") of not less than 2,626,923,658 and not more than 2,719,215,073 offer shares (the "Offer Shares") at a subscription price of HK$0.125 per offer shares on the basis of two Offer Shares for every five existing shares held on 31st December 2013. The estimated net proceeds of approximately HK$324,470,000 and not more than HK$336,001,000 were intended to be used for property investment in Hong Kong and/or Macau when suitable opportunity arises. 2,626,923,658 Offer Shares were issued and allotted on 22nd January 2014 with net proceeds of approximately HK$324,470,000.

On the same date, the Company announced that it proposed the subscription of not more than 7,586,976 units of new bonus convertible bonds (the "New Bonus CBs") in the aggregate principal amount of HK$75,869.76 offered by the Company to the existing Bonus CBs holders on the basis of 2 New Bonus CBs for every 5 existing Bonus CBs held on 31st December 2013 at the subscription price of HK$0.125 per New Bonus CB. The transaction was approved by the shareholders of the Company at the special general meeting of the Company held on 18th December 2013. On 22nd January 2014, 7,540,521 units of New Bonus CBs in the principal amount of HK$75,405.21 was issued by the Company.

During the year ended 31st December 2013, 2,828,157,494 new shares were issued and allotted upon the exercise of the conversion rights of HK$28,281,574.94 Bonus CBs at the subscription price of HK$0.01 per share.

During the year ended 31st December 2013, no share options of the Company were exercised and 167,496 options were expired.

MATERIAL ACQUISITIONS AND DISPOSALS

On 1st February 2013, Star Hope Investments Limited, a wholly owned subsidiary of the Company (the "Purchaser") and Wing Shan Int'l Limited (the "Vendor") entered into a sale and purchase agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 1 share of HK$1.00 each in the entire share capital of Well Full Limited (the "Target Co") and a sale loan amounted to approximately HK29,603,000 at a total consideration of HK$93,700,000. The major assets of the Target Co are properties located at Cockloft Floor and the Ground Floor of Nos. 1 and 3 Mercer Street, Hong Kong (the "Properties"), bank deposits of HK$9,220,000 and Renminbi bonds of RMB5,400,000 (equivalent to approximately HK$6,750,000). The acquisition was completed on 28th February 2013 and the Target Co became wholly owned subsidiary of the Company. The Properties are developed into the flagship store of retail chain of Nam Pei Hong in Hong Kong.

On 5th April 2013, Smart Value Developments Limited, a wholly owned subsidiary of the Company (the "Purchaser A") entered into a conditional sale and purchase agreement with an independent third party (the "Vendor A", in its capacity as a confirmor) pursuant to which the Purchaser A has conditionally agreed to acquire the entire issued share capital of Big Century Limited (the "Target A") and a sale loan (the "Sale Loan") amounted to approximately HK$10,730,000 at a total consideration of HK$68,330,000. The major asset and liability of Target A are properties located at Ground Floor and its Cockloft, Nos. 20, 22, and 24 Mercer Street, Kam Tak Building, Hong Kong (the "Property A") and the Sale Loan respectively. Of the total consideration, HK$10,730,000 was paid to the Vendor A as deposit upon signing of the conditional sale and purchase agreement, HK$5,400,000 was paid to the Vendor A on 27th September 2013 and the balance of HK$52,200,000 was paid by the Target A (financed by the Purchaser A) upon completion on 30th September 2013.

On 5th April 2013, Well Star Investments Limited, a wholly owned subsidiary of the Company (the "Purchaser B") entered into a provisional sale and purchase agreement with an independent third party (in its capacity as a confirmor) pursuant to which the Purchaser B has conditionally agreed to acquire a property located at First Floor, Nos. 20, 22, and 24 Mercer Street, Kam Tak Building, Hong Kong at a consideration of HK$8,000,000, of which HK$800,000 was paid as deposit upon signing of provisional sale and purchase agreement and the balance was paid upon completion on 30th September 2013.

On 21st October 2013, China Star Entertainment (BVI) Limited ("CSBVI"), a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with Mighty Chief Limited ("Mighty") pursuant to which CSBVI agreed to sell and Mighty agreed to purchase 37.5% interest and a sale loan amounted to approximately HK$95,630,000 in Ace Season Holdings Limited ("Ace Season"), a wholly owned subsidiary of the Company at the date of the conditional sale and purchase agreement, at cash consideration of HK$93,750,000. On the same date, CSBVI entered into another conditional sale and purchase agreement with Rosy Mile Limited ("Rosy") pursuant to which CSBVI agreed to sell and Rosy agreed to purchase 12.5% interest and a sale loan amounted to HK$31,880,000 in Ace Season at cash consideration of HK$31,250,000. Ace Season is an investment holding company and its major subsidiaries are groups headed by NPH Holdings Limited and Empowered Century Limited respectively. The group headed by NPH Holdings Limited is engaged in the business of sales of Chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesalers and retailers as well as Chinese clinical services. The group headed by Empowered Century Limited is engaged as investment and property holding companies which owned the properties located at the Cockloft Floor and the Ground Floor of Nos. 1 and 3 Mercer Street, Hong Kong and 1st Floor, Cockloft Floor and the Ground Floor of Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong. Upon completion of the conditional sale and purchase agreements on 18th November 2013, CSBVI was interested in the remaining 50% of the issued share capital of Ace Season. Each of Ace Season and its subsidiaries would be treated as non-wholly subsidiaries of the Company and their financial results would be consolidated into the consolidated financial statements of the Group in accordance with HKFRS 10 *Consolidated Financial Statements*. In view of the rising competition in Hong Kong retail market, the Directors consider that the disposals of partial interest in Ace Season can provide the Group with an opportunity to introduce new investors to the operations of Nam Pei Hong and property development in Hong Kong for its future business development and/or expansion and can realise part of the Group's investment in Ace Season into cash.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2013, the Group employed 792 staff (2012: 744 staff) with employee benefit expenses of HK$172,181,000 (2012: HK$145,682,000). The directors believe that the quality of its employees is the single most important factor in sustaining the Group's reputation and improving its profitability. The 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

On 22nd January 2014, 2,626,923,658 Offer Shares were issued and allotted upon completion of the Open Offer with net proceeds of approximately HK$324,470,000.

On 22nd January 2014, 7,540,521 units of New Bonus CBs in the principal amount of HK$75,405.21 was issued by the Company.

On 27th January 2014, the Company entered into a placing agreement with a placing agent to place on a best effort basis up to 3,200,000,000 new shares of HK$0.01 each by a maximum of four tranches (in which each tranche shall not be less than 800,000,000 new shares, save for the last tranche) to independent investors at a price of HK$0.125 per share (the "Placing"). The Placing was approved by the shareholders of the Company at the special general meeting of the Company held on 24th March 2014. The net proceeds of approximately HK$395,470,000 were intended to be used for the Proposed Acquisition (as defined below).

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

PROSPECT

Hotel and gaming service operations in Lan Kwai Fong is considered to be the core profit and cash contributor of the Group in the coming few years. The successful transformation of Lan Kwai Fong to a boutique hotel that embraces gaming, recreation and tourist accommodation has solidified our role in Macau's hotel and gaming industry. The development of the Sites would also be benefited by the profit and cash flow derived from the principal core business of our Lan Kwai Fong. The foundation of the Group's various investments in Macau will be enhanced and synergistically boosted.

Lan Kwai Fong will continue its current marketing direction and do best to implement its goal "Our highest priority is guest satisfaction in a premium yet relaxed environment with outstanding service".

In the year 2013, the Group has started to strive to achieve healthy and stable growth by enhancing profitability and diversifying its businesses progressively.

In view of the increasing awareness in health and the aging of population of Hong Kong, demand for health care products, especially Chinese medicine, "Sum Yung" and dried seafood in Hong Kong has grown rapidly in recent years. In addition, Mainland Chinese tourists are the fuel of Hong Kong's retail market. We envision that the retailing market of the Chinese health products are an enormous potential market for growth, both in China, Hong Kong and Macau in years to come. By acquiring and develop the properties in Mercer Street into the flagship stores of retail chain of Nam Pei Hong, the Group started to reposition the image of Nam Pei Hong during the year 2013 and hope to solidify its image and market share in Hong Kong and China. It aims to provide creditworthy products with bargain prices. In order to provide our customers with a much comprehensive range of products to select, we did best to increase the varieties of our products so that more new healthy products are directly imported from Korea and Taiwan, etc. The Group will continue to seek other suitable healthy products to meet our customers' needs. After the restructuring of Ace Season, Nam Pei Hong has more resources and expertise to explore new products and seeking suitable retail shops for expanding its business.

Macau continues its strong upward growth with market-wide gaming revenue. The directors are confident with the gaming industry in Macau. The Company intends to participate in the gaming promotion business of VIP rooms through the Proposed Acquisition as announced in 25th February 2014. The directors believe that the Proposed Acquisition will allow the Group to have greater control over the management and marketing of the VIP rooms gaming floor in Casino LKF as well as to receive a higher percentage of gross gaming income generated by the VIP rooms gaming floor.

Despite the introduction of new measures by the Hong Kong Government and Hong Kong Monetary Authority for stabilising property prices in the year 2013 and the outlook for the property market in 2014 remains uncertain and expecting periods of volatility, the directors recognise that an uncertainty outlook can often coincide with a good opportunity to invest. As such, the Company has conducted the Open Offer and the net proceeds from the Open Offer were intended to be used for property investment in Hong Kong and/or Macau when suitable opportunity arises. Recently, there is further contraction in the property market in Hong Kong and the Company will adopt a more conservative approach for the property investment business.

On 23rd October 2013, the Company announced that it was approached by an independent third party relating to the possible disposal of Hotel Lan Kwai Fong Macau. The Company has commenced preliminary negotiation after the release of the announcement and there is no further update up to now.

On 27th January 2014, the Company announced that it was in preliminary negotiation with an independent third party relating to possible acquisition of the entire issued share capital of a company, the major asset of which is its certain indirect interest in a 20-storey commercial building located in Chaoyangmenwai Dajie (朝陽門外大街), Beijing, The People’s Republic of China. As at the date of this announcement, the Company considers that it will not go into further negotiation on this possible acquisition.

The Company announced on 10th February 2014 that it had commenced a preliminary discussion with an independent third party in relation to a possible acquisition (the “Possible Acquisition”) of equity or beneficial interests in a company which will be entitled to the entirety of the net profit deriving from VIP gaming promotion operations (being activities undertaken to promote casino games by way of offering transportation, accommodation, food and beverage and entertainment in exchange for a commission or other compensation paid by a gaming concessionaire) in Macau. The Possible Acquisition is still in preliminary discussion and the parties are also discussing other cooperation means.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is responsible for ensuring high standard of corporate governance are maintained and for accounting to shareholders. The Company has applied the principles and complied with all the applicable code provisions laid down in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Code") for the year ended 31st December 2013, except for the following deviations:

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

b) Under the code provision A.6.7 of the Code, all the independent non-executive directors should attend general meetings. Mr. Hung Cho Sing and Mr. Tang Chak Lam, Gilbert, both independent non-executive directors of the Company, were not able to attend the special general meeting of the Company held on 29th April 2013 due to another business engagement.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

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

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's consolidated financial statements for the year ended 31st December 2013.

ADOPTION OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31st December 2013. The Model Code also applies to other specified senior management of the Group.

PUBLICATION OF ANNUAL REPORT

The Company's 2013 annual report will be despatched to the shareholders of the Company on or before 30th April 2014 and will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company's website (www.chinastar.com.hk or www.irasia.com/listco/hk/chinastar).

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

Hong Kong, 27th March 2014

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