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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2021**

#### **INTERIM RESULTS**

The board of directors (the “Board”) of China Star Entertainment Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2021 together with the comparative figures as follows:

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

*For the six months ended 30th June 2021*

	<i>Notes</i>	<b>Six months ended 30th June</b>	
		<b>2021</b>	<b>2020</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>1,167</b>	3,088
Cost of sales		<b>(295)</b>	(1,178)
Gross profit		<b>872</b>	1,910
Other revenue and other income	5	<b>42,505</b>	46,152
Administrative expenses		<b>(40,895)</b>	(37,081)
Marketing and distribution expenses		<b>(110)</b>	(2,445)
Gain arising on change in fair value of investment property		<b>947</b>	–
Loss arising on change in fair value of financial assets at fair value through profit or loss		<b>(38,344)</b>	(71,755)

## CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the six months ended 30th June 2021

		Six months ended 30th June	
		2021	2020
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Loss from operations</b>		<b>(35,025)</b>	(63,219)
Finance costs	6	(969)	(146)
Share of result of a joint venture		(2)	3
		<hr/>	<hr/>
<b>Loss before tax</b>	7	<b>(35,996)</b>	(63,362)
Income tax (expense)/credit	8	(1)	34
		<hr/>	<hr/>
<b>Loss for the period</b>		<b>(35,997)</b>	(63,328)
		<hr/> <hr/>	<hr/> <hr/>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(35,987)	(63,319)
Non-controlling interests		(10)	(9)
		<hr/>	<hr/>
		<b>(35,997)</b>	(63,328)
		<hr/> <hr/>	<hr/> <hr/>
<b>Loss per share</b>	9		
Basic and diluted		<b>HK(1.42) cents</b>	HK(2.36) cents
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2021

	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Loss for the period</b>	<b>(35,997)</b>	<b>(63,328)</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>79</u>	<u>(184)</u>
<b>Total comprehensive loss for the period</b>	<b><u>(35,918)</u></b>	<b><u>(63,512)</u></b>
<b>Total comprehensive loss for the period attributable to:</b>		
Owners of the Company	<b>(35,908)</b>	<b>(63,503)</b>
Non-controlling interests	<u>(10)</u>	<u>(9)</u>
	<b><u>(35,918)</u></b>	<b><u>(63,512)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2021

	At 30th June 2021 <i>HK\$'000</i> (Unaudited)	At 31st December 2020 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>		
Property, plant and equipment	123,652	128,960
Investment property	161,862	–
Deposits and prepayment	–	33,664
Loan to a director	–	420,504
Interest in a joint venture	–	2
	285,514	583,130
<b>Current assets</b>		
Inventories	126	128
Stock of properties	3,356,611	3,275,151
Film rights	11,828	11,828
Films in progress	77,634	77,634
Investment in film	33,295	29,939
Loan to a director	449,259	–
Trade receivables	645	290
Deposits, prepayment and other receivables	680,881	653,255
Financial assets at fair value through profit or loss	168,107	208,460
Amount due from a joint venture	45	30
Time deposits	278	276
Cash and bank balances	205,320	503,450
	4,984,029	4,760,441
<b>Total assets</b>	5,269,543	5,343,571

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

At 30th June 2021

	<i>Notes</i>	<b>At 30th June 2021 HK\$'000 (Unaudited)</b>	At 31st December 2020 HK\$'000 (Audited)
<b>Capital and reserves</b>			
Share capital		24,858	26,306
Reserves		<u>3,160,153</u>	<u>3,409,608</u>
<b>Equity attributable to owners of the Company</b>			
Non-controlling interests		<u>3,185,011 (653)</u>	<u>3,435,914 (643)</u>
<b>Total equity</b>		<u><b>3,184,358</b></u>	<u>3,435,271</u>
<b>Non-current liabilities</b>			
Lease liabilities		–	981
Bank borrowings		<u>1,371,950</u>	<u>1,293,880</u>
		<u><b>1,371,950</b></u>	<u>1,294,861</u>
<b>Current liabilities</b>			
Financing note payable		95,195	–
Trade payables	12	29,246	22,710
Deposits received, accruals and other payables		82,369	82,908
Lease liabilities		3,309	4,704
Amounts due to non-controlling interests		503,116	503,116
Tax payable		<u>–</u>	<u>1</u>
		<u><b>713,235</b></u>	<u>613,439</u>
<b>Total liabilities</b>		<u><b>2,085,185</b></u>	<u>1,908,300</u>
<b>Total equity and liabilities</b>		<u><b>5,269,543</b></u>	<u>5,343,571</u>
<b>Net current assets</b>		<u><b>4,270,794</b></u>	<u>4,147,002</u>
<b>Total assets less current liabilities</b>		<u><b>4,556,308</b></u>	<u>4,730,132</u>

## NOTES:

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group (the “Interim Financial Information”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) 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 2020 annual financial statements. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

Other than additional accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the Interim Financial Information for the six months ended 30th June 2021 are the same as those presented in the Group's audited consolidated financial statements for the year ended 31st December 2020.

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 2021 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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 these unaudited condensed consolidated financial statements.

**3. SEGMENT INFORMATION**

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

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

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

Particulars of the Group’s reportable segments is 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
  
- Restaurant operations – Provision of catering services through a restaurant



### 3. SEGMENT INFORMATION (Continued)

Segment information about these operations is presented as below:

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

	Segment revenue		Segment results	
	Six months ended 30th June		Six months ended 30th June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Film related business operations	35	2,367	(5,635)	(4,034)
Property development and investment operations	–	–	(9,271)	(6,941)
Restaurant operations	1,132	721	(1,427)	(2,336)
	<u>1,167</u>	<u>3,088</u>	<u>(16,333)</u>	<u>(13,311)</u>
Reconciliation from segment results to loss before tax				
Unallocated corporate income			41,832	44,538
Loss arising on change in fair value of financial assets at fair value through profit or loss ("FVTPL")			(38,344)	(71,755)
Share of result of a joint venture			(2)	3
Unallocated corporate expenses			<u>(23,149)</u>	<u>(22,837)</u>
Loss before tax			<u><u>(35,996)</u></u>	<u><u>(63,362)</u></u>

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

### 3. SEGMENT INFORMATION (Continued)

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

Segment results represent the loss suffered by each segment without allocation of central administrative expenses and partial finance costs under the heading of “unallocated corporate expenses”, partial other revenue and other income under the heading of “unallocated corporate income”, 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 2021 HK\$'000 (Unaudited)	At 31st December 2020 HK\$'000 (Audited)
<b>ASSETS</b>		
Segment assets		
– Film related business operations	704,352	643,497
– Property development and investment operations	3,662,618	3,467,790
– Restaurant operations	6,547	7,603
	<hr/>	<hr/>
Total segment assets	4,373,517	4,118,890
Unallocated assets	896,026	1,224,681
	<hr/>	<hr/>
	<b>5,269,543</b>	<b>5,343,571</b>
	<hr/> <hr/>	<hr/> <hr/>
	At 30th June 2021 HK\$'000 (Unaudited)	At 31st December 2020 HK\$'000 (Audited)
<b>LIABILITIES</b>		
Segment liabilities		
– Film related business operations	71,737	71,946
– Property development and investment operations	1,997,643	1,816,827
– Restaurant operations	760	754
	<hr/>	<hr/>
Total segment liabilities	2,070,140	1,889,527
Unallocated liabilities	15,045	18,773
	<hr/>	<hr/>
	<b>2,085,185</b>	<b>1,908,300</b>
	<hr/> <hr/>	<hr/> <hr/>

### 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 and 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 assets are based on the physical location of the assets.

	Revenue from		Non-current assets	
	external customers		(excluding financial	
	Six months ended		instruments)	
	At 30th	At 31st	At 30th	At 31st
30th June	June	June	December	
2021	2020	2021	2020	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	
Hong Kong	1,144	792	122,157	127,628
Macau	–	–	1,052	1,334
The People's Republic of China, excluded Hong Kong, Macau and Taiwan (the "PRC")	–	2,296	–	–
Taiwan	–	–	162,305	33,664
Others	23	–	–	–
	<u>1,167</u>	<u>3,088</u>	<u>285,514</u>	<u>162,626</u>

#### 4. REVENUE

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

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Distribution fee income	23	2,296
Artist management service income	12	71
Restaurant operations	1,132	721
	<hr/>	<hr/>
Revenue from contracts with customers	1,167	3,088
	<hr/> <hr/>	<hr/> <hr/>

	Six months ended 30th June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Timing of revenue recognition		
A point in time	1,167	3,088
	<hr/> <hr/>	<hr/> <hr/>

#### 5. OTHER REVENUE AND OTHER INCOME

	Six months ended 30th June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	571	2,956
Loan interest income	41,152	41,182
Dividend income	–	132
Reversal of impairment loss recognised in respect of loan receivables	–	441
Management fee income	–	30
Net foreign exchange gain	673	–
Government grants ( <i>Note</i> )	100	394
Sundry income	9	1,017
	<hr/>	<hr/>
	42,505	46,152
	<hr/> <hr/>	<hr/> <hr/>

*Note:* During the current interim period, the Group recognised government grants of HK\$100,000 (six months ended 30th June 2020: HK\$394,000) in respect of Covid-19 related subsidies provided by Hong Kong government and Macau government.

## 6. FINANCE COSTS

	Six months ended 30th June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Interests on bank borrowings	27,604	31,450
Interests on financing note	99	–
Bank guarantee charges	749	–
Interests on lease liabilities	56	146
Other financial costs	65	–
	<u>28,573</u>	<u>31,596</u>
Interests capitalised to stock of properties	(27,604)	(31,450)
	<u>969</u>	<u>146</u>

## 7. LOSS BEFORE TAX

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

	Six months ended 30th June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Amortisation of film rights (included in cost of sales)	–	964
Cost of inventories sold (included in cost of sales)	295	214
Depreciation of property, plant and equipment	5,925	6,714
Employee benefit expenses (included directors' remunerations)	23,081	22,642
Expense relating to short-term leases	461	284
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	51	48
Impairment loss recognised in respect of trade receivables	–	160
Gain arising on change in fair value of investment property	(947)	–
Loss arising on change in fair value of financial assets at FVTPL	38,344	71,755
Net foreign exchange (gain)/loss	(673)	1,209
Written off of property, plant and equipment	2	219
	<u>2</u>	<u>219</u>

## 8. INCOME TAX EXPENSE/(CREDIT)

	<b>Six months ended 30th June</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
– PRC Enterprise Income Tax	<b>1</b>	2
Over provision in prior year:		
– PRC Enterprise Income Tax	–	(4)
– Hong Kong Profits Tax	–	(32)
	<u><b>1</b></u>	<u>(34)</u>

Under the two-tiered profits tax rates regime of Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the unaudited condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

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

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



## 11. TRADE RECEIVABLES

	At 30th June 2021 <i>HK\$'000</i> (Unaudited)	At 31st December 2020 <i>HK\$'000</i> (Audited)
Credit card receivables	5	5
Other trade receivables	1,280	925
Less: allowance for credit losses	<u>(640)</u>	<u>(640)</u>
	<u><b>645</b></u>	<u><b>290</b></u>

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

	At 30th June 2021 <i>HK\$'000</i> (Unaudited)	At 31st December 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	44	5
31 to 60 days	–	–
61 to 90 days	4	–
Over 90 days	<u>597</u>	<u>285</u>
	<u><b>645</b></u>	<u><b>290</b></u>

The Group's trading terms with its customers from restaurant operations are mainly by cash and credit card settlement. The settlement terms of credit card companies are usually 7 days after the service rendered date.

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



## 11. TRADE RECEIVABLES (Continued)

The movement in the allowance for credit losses in respect of trade receivables under simplified approach during the periods is as follows:

	Lifetime expected credit loss (not credit-impaired)		Lifetime expected credit loss (credit-impaired)	
	At 30th June 2021 <i>HK\$'000</i> (Unaudited)	At 31st December 2020 <i>HK\$'000</i> (Audited)	At 30th June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
At the beginning of the reporting period	–	–	640	963
Written off	–	–	–	(323)
At the end of the reporting period	<u>–</u>	<u>–</u>	<u>640</u>	<u>640</u>

## 12. TRADE PAYABLES

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

	At 30th June 2021 <i>HK\$'000</i> (Unaudited)	At 31st December 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	144	17
31 to 60 days	–	–
61 to 90 days	–	–
Over 90 days	<u>29,102</u>	<u>22,693</u>
	<u>29,246</u>	<u>22,710</u>

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the six months ended 30th June 2021, the Group recorded revenue of HK\$1,167,000, representing a decrease of 62% from HK\$3,088,000 for the last corresponding period.

Loss for the period amounted to HK\$35,997,000, representing a decrease of 43% from HK\$63,328,000 for the last corresponding period. Such decrease in loss is mainly attributable to the substantial decrease in the recognition of loss arising on change in fair value of financial assets at fair value through profit or loss of HK\$38,344,000 for the six months ended 30th June 2021 from HK\$71,755,000 for the last corresponding period.

Loss attributable to owners of the Company for the six months ended 30th June 2021 amounted to HK\$35,987,000, representing a decrease of 43% from HK\$63,319,000 for the last corresponding period.

### **DIVIDEND**

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2021 (Six months ended 30th June 2020: nil).

### **BUSINESS REVIEW**

The Group has three reportable segments – (1) film related business operations; (2) property development and investment operations; and (3) restaurant operations.

Of the total revenue amount for the period, HK\$35,000 or 3% was generated from film related business operations, none or 0% was generated from property development and investment operations and HK\$1,132,000 or 97% was generated from restaurant operations.

#### **Film Related Business Operations**

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

In the first half of the year 2021, revenue from film related business operations amounted to HK\$35,000 (Six months ended 30th June 2020: HK\$2,367,000) and its segment loss amounted to HK\$5,635,000 (Six months ended 30th June 2020: HK\$4,034,000). During the six months ended 30th June 2021, the Group did not distribute any new film. This revenue arises from distribution of films in film library. The Group has been engaging in the film business for more than 20 years. Film production normally involves three stages including pre-production, production or shooting and post-production. From the pre-production stage to theatrical release of Chinese film in Hong Kong, it normally takes more than one year and sometimes several years to complete. The majority of revenue in film will record within the following two years after the film is released. As such, it is the characteristic of film production and distribution that revenue is not recognised evenly with time. The Group also has investment in production of film which is co-financing with other production companies and will shared revenue from the invested film according to the investment percentage in the relevant agreement. The Group takes a passive role in this kind of co-production arrangement but needs to contribute less human resource.

For television drama series, the Group has prepared a few story board of television drama series and assessing the feasibility of these story board. No production of television drama series had started during this period.

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.

### **Property Development and Investment Operations**

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

No revenue was recorded for property development and investment operations in the first half of the year 2021 and 2020 and its segment loss amounted to HK\$9,271,000 (Six months ended 30th June 2020: HK\$6,941,000). The segment loss mainly represented administrative expenses incurred during the period and the increase in segment loss mainly due to expenses incurred in preparation for sale of 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). An architect has been engaged and is still in the process to compile a development plan of the Property C7 in accordance with the parameters for submission to the Land, Public Works and Transport Bureau of Macau for approval. The very preliminary development plan is to develop a building under strata title with gross floor areas (in square meters) for residential of 26,047 and parking of 5,200. The development of the Property C7 is expected to start after the development of the Project Tiffany House.

Project 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. Project 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 will provide 230 units in two towers, with units ranging from studio flats to four-bedroom apartments as well as special units and 272 car parks and 75 motorcycle parks. A prestigious clubhouse will provide a wide range of facilities and retail space at the podium will become a major shopping arcade in the neighbourhood. Construction works started in June 2017 and has obtained its occupational permit in December 2019. Project Tiffany House is now under final stage of internal renovation and ready to sale anytime. Project Tiffany House is prepared to launch for sale in the fourth quarter of year 2021.

The Group always looks for suitable investment opportunities to strengthen its existing segment in property development and investment. On 24th December 2020, a wholly owned subsidiary of the Company entered into a sale and purchase agreement to purchase a property which comprises a luxury residential apartment with two car parking spaces, situated in a prime luxury residential location in Taipei, Taiwan (the "Taiwan Property") for consideration of approximately HK\$160,915,000. On 27th January 2021, the Group completed the acquisition of the Taiwan Property. As at 30th June 2021, the Taiwan Property was held as an investment property in the carrying amount of HK\$161,862,000 for long term capital growth purposes and is expected to generate stable rental income. The Taiwan Property is now under renovation.

## **Restaurant Operations**

The Group's restaurant "Obba Bar" serves various high-ended international cuisine and is located in the Group's owned property in Sheung Wan, Hong Kong.

In the first half of the year 2021, revenue from restaurant operations amounted to HK\$1,132,000 (Six months ended 30th June 2020: HK\$721,000) and its segment loss amounted to HK\$1,427,000 (Six months ended 30th June 2020: HK\$2,336,000). The Group has worked on every effort to improve the performance of the operation of Obba Bar and its revenue and segment result showed improvement during this interim period. The Group is considering better location for the restaurant operations after the disposal of the owned property in Sheung Wan, Hong Kong as disclosed in the section headed "Event after the Reporting Date".

## **Geographical Segments**

For the geographical segments, revenue of HK\$1,144,000 or 98% was sourced from Hong Kong and HK\$23,000 or 2% was sourced from other countries during the period. Majority of Hong Kong sourced income came from restaurant operations.

## **Administrative Expenses**

For the six months ended 30th June 2021, administrative expenses amounted to HK\$40,895,000 (Six months ended 30th June 2020: HK\$37,081,000), representing an increase of 10%. The Group joined 9 other major film companies to produce the film "All U Need is Love" as a benefit effort to finance struggling companies in the film industry and those film workers without income during the COVID-19 pandemic. During the six months ended 30th June 2021, the Group recorded donation of approximately HK\$3,900,000 for this purpose and the film was released by the Hong Kong Performing Artistes Guild and the Federation of Hong Kong Filmmakers on 22nd April 2021. Except for the donation, no other significant fluctuation was recognised in administrative expenses.

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

As at 30th June 2021, the Group had total assets of approximately HK\$5,269,543,000 (31st December 2020: HK\$5,343,571,000) and a net current assets of HK\$4,270,794,000 (31st December 2020: HK\$4,147,002,000), representing a current ratio of 7.0 (31st December 2020: 7.8). The Group had cash and bank balances and time deposits of HK\$205,598,000 (31st December 2020: HK\$503,726,000).

As at 30th June 2021, the Group had total borrowing of HK\$1,470,454,000 (31st December 2020: HK\$1,299,565,000) which comprised a secured bank term loan (the “Term Loan”) of HK\$1,371,950,000 (31st December 2020: HK\$1,293,880,000), a loan note (the “Note Payable”) of HK\$95,195,000 (31st December 2020: nil) and lease liabilities of HK\$3,309,000 (31st December 2020: HK\$5,685,000). The purpose of the Term Loan was to finance the construction costs and any other soft costs in relation to the Project Tiffany House. The Term Loan is in multiple drawdown and secured by the leasehold land and properties to be erected on the land of the Project Tiffany House with carrying amount as stock of properties of HK\$1,960,895,000, interest bearing at Hong Kong Interbank Offered Rate (“HIBOR”) for three or six month period selected by the borrower plus margin of 3.35% per annum for each interest period and repayable by the earlier of (i) 36 months from date of the agreement of the Term Loan or (ii) 9 months after date of issuing of the occupation permit of the Project Tiffany House. The maturity date of the Term Loan had extended to 15th September 2022. The Note Payable is interest bearing at fixed interest rate of 0.25% semi-annually for six months period from 29th January 2021 and has renewed for six months period on 28th July 2021. Investment property in carrying amount of HK\$161,862,000 had been pledged to a bank 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’s guarantee will expired on 24th January 2051 or upon early termination.

As at 30th June 2021, the Group had banking facilities amounting to HK\$1,600,000,000 which were utilised to the extent of HK\$1,371,950,000. The Group’s gearing was acceptable during the period with total debts of HK\$1,470,454,000 against owners’ equity of HK\$3,185,011,000. This represents a gearing ratio, calculated in the basis of the Group’s total borrowings over owners’ equity of 46% (31st December 2020: 38%).

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 21st December 2020, the Company announced that, the Board has resolved to allocate NT\$580,000,000 (equivalent to approximately HK\$162,400,000) out of the unutilised proceeds of HK\$350,000,000 for the potential acquisition of the Taiwan Property to settle its consideration. On 24th December 2020, a wholly owned subsidiary of the Company entered into a sale and purchase agreement to purchase the Taiwan Property and the acquisition was completed on 27th January 2021 for the consideration of approximately HK\$160,915,000. During the six months ended 30th June 2021, HK\$30,000,000 was utilised for the marketing and promotion of Project Tiffany House. As at 30th June 2021, proceeds of HK\$159,085,000 were unused and will be utilised as intended.

As at the date of approving these interim results and 30th June 2021, the fair value of the Group's equity securities listed in Hong Kong held at 30th June 2021 was approximately HK\$139,363,000 and HK\$146,795,000 respectively. During the six months ended 30th June 2021, the Group acquired HK\$25,703,000 equity securities listed in Hong Kong and disposed proceeds of HK\$27,712,000 equity securities listed in Hong Kong. The gain arising on change in fair value of financial assets at fair value through profit and loss of HK\$3,254,000 was resulted from change in fair values of equity securities listed in Hong Kong between the six months period from 31st December 2020 to 30th June 2021. As at 30th June 2021, no single equity security's fair value held by the Group accounted for 5% or more of the total assets of the Group.

During the six months ended 30th June 2021, the Company repurchased a total of 144,760,000 ordinary shares of the Company at an aggregate price of approximately HK\$214,995,000 on the Stock Exchange. 91,920,000 ordinary shares were cancelled on 4th February 2021 and 52,840,000 ordinary shares were cancelled on 3rd May 2021 respectively. The total number of issued shares of the Company after these cancellations and as at 30th June 2021 was 2,485,850,479 (31st December 2020: 2,630,610,479) and its issued share capital was HK\$24,858,504 (31st December 2020: HK\$26,306,104).

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

### **PLEDGE OF ASSETS**

As at 30th June 2021, stock of properties in carrying amount of HK\$1,960,895,000 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 deposits in amount of HK\$249,000 had been pledged as guarantee to Macau government for deposits in the development of stock of properties in Macau; and investment property in carrying amount of HK\$161,862,000 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 Renminbi mainly arises from receipts and expenditure incurred in film investment, production and distribution. The Group has closely monitors its exposure to this fluctuation and consider appropriate hedging activities if necessary. The exposure to fluctuation in other currencies is considered to be minimal and no hedge activity is considered necessary.

## **COMMITMENTS**

As at 30th June 2021, outstanding commitments by the Group amounted to HK\$526,023,000, of which HK\$303,646,000 as development expenditure for stock of properties in Macau and HK\$222,377,000 for film rights, films in progress and film deposits.

## **CONTINGENT LIABILITIES**

As at 30th June 2021, 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 2021, the Group employed 67 staff (30th June 2020: 66 staff) with employee benefit expenses (included directors' remuneration) of HK\$23,081,000 for the six months ended 30th June 2021 (Six months ended 30th June 2020: HK\$22,642,000), an increase of 2%. The increase mainly included increase in headcount who are responsible for preparation for sales and management of the Project 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**

On 19th August 2021, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose a property located in Hong Kong (the "Disposed Property"). Pursuant to the terms of the provisional sale and purchase agreement, formal sale and purchase agreement will be entered on or before 6th September 2021 and completion will take place on or before 30th September 2021.

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



## PROSPECT

The vaccine-driven economic recovery is expected to continue in the second half of 2021. In the post-pandemic era, it is expected that Hong Kong's economy will rejuvenate through normalization of prevention and control measures, and Macau's economy is also recovering steadily, which serve to bringing about a strong domestic housing demand in Hong Kong and Macau. At the same time, the extensive development of the Guangdong-Hong Kong Macao Greater Bay Area will bring forth significant opportunities for the housing demand in Hong Kong and Macau.

For the property development and investment operations, the Group has postponed sale of the Project Tiffany House to around the fourth quarter in year 2021. Property market generally continues to be recovering despite uncertainties persisting in the short run. Being the Group's first developed project, the Group has put every effort to enhance the launching of Tiffany House. Taking the opportunities of the gradually recovery of the economy in Hong Kong, Macau and China, the Group has confident on the launching of Tiffany House.

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

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

During the six months ended 30th June 2021, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
January 2021	91,920,000	1.50	1.45	137,865,000
April 2021	52,840,000	1.45	1.40	76,285,000
	<u>144,760,000</u>			<u>214,150,000</u>

91,920,000 and 52,840,000 ordinary shares were cancelled on 4th February 2021 and 3rd May 2021 respectively.

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

Other than as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2021.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintain a high standard of corporate governance practices. The Company has applied the principles and complied with all the applicable code provisions laid down in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “Code”) during the period from 1st January 2021 to 30th June 2021, except for the following deviation:

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

## **AUDIT COMMITTEE AND REVIEW OF ACCOUNTS**

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 2021 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.

## **ADOPTION OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE “MODEL CODE”)**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30th June 2021. The Model Code also applies to other specified senior management of the Group.

## **PUBLICATION OF INTERIM REPORT**

The Company's 2021 interim report will be despatched to the shareholders of the Company on or before 30th September 2021 and will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.chinastar.com.hk](http://www.chinastar.com.hk) or [www.irasia.com/listco/hk/chinastar](http://www.irasia.com/listco/hk/chinastar)).

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

Hong Kong, 30th August 2021

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