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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2021

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 2021 together with the comparative figure for 2020 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Continuing operations			
Revenue	5	3,717	3,647
Cost of sales		(129)	(964)
		<hr/>	<hr/>
Gross profit		3,588	2,683
Other revenue and other income	6	102,903	97,153
Administrative expenses		(75,063)	(67,118)
Marketing and distribution expenses		(158)	(2,458)
Loss arising on change in fair value of financial assets at fair value through profit or loss		(152,413)	(97,204)
Loss arising on change in fair value of investment property		(694)	–
Other operating expenses		(24,977)	(40,167)
		<hr/>	<hr/>

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year ended 31st December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Loss from operations		(146,814)	(107,111)
Finance costs	7	(1,833)	(250)
Share of result of a joint venture		(2)	2
		<hr/>	<hr/>
Loss before tax from continuing operations	8	(148,649)	(107,359)
Income tax credit	9	–	32
		<hr/>	<hr/>
Loss for the year from continuing operations		(148,649)	(107,327)
Discontinued operation			
Loss for the year from discontinued operation	10	(7,866)	(3,116)
		<hr/>	<hr/>
Loss for the year		(156,515)	(110,443)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the year attributable to:			
Owners of the Company			
– from continuing operations		(148,630)	(107,314)
– from discontinued operation		(7,866)	(3,116)
		<hr/>	<hr/>
		(156,496)	(110,430)
		<hr/>	<hr/>
Non-controlling interests			
– from continuing operations		(19)	(13)
– from discontinued operation		–	–
		<hr/>	<hr/>
		(19)	(13)
		<hr/>	<hr/>
		(156,515)	(110,443)
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
From continuing and discontinued operations			
– Basic and diluted	12	(6.24)	(4.15)
		<hr/> <hr/>	<hr/> <hr/>
From continuing operations			
– Basic and diluted	12	(5.93)	(4.04)
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Loss for the year	<u>(156,515)</u>	<u>(110,443)</u>
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	215	(852)
Reclassification of cumulative exchange reserve upon deregistration of a foreign subsidiary	<u>–</u>	<u>764</u>
Other comprehensive income/(loss) for the year	<u>215</u>	<u>(88)</u>
Total comprehensive loss for the year	<u><u>(156,300)</u></u>	<u><u>(110,531)</u></u>
Total comprehensive loss for the year attributable to:		
Owners of the Company	(156,281)	(110,518)
Non-controlling interests	<u>(19)</u>	<u>(13)</u>
	<u><u>(156,300)</u></u>	<u><u>(110,531)</u></u>
Total comprehensive loss for the year attributable to:		
Owners of the Company		
– from continuing operations	(148,415)	(107,402)
– from discontinued operation	<u>(7,866)</u>	<u>(3,116)</u>
	<u><u>(156,281)</u></u>	<u><u>(110,518)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		52,206	128,960
Investment property		162,176	–
Deposits and prepayment		–	33,664
Loan to a director		–	420,504
Interest in a joint venture		–	2
		214,382	583,130
Current assets			
Inventories		–	128
Stock of properties		3,555,091	3,275,151
Film rights		8,837	11,828
Films in progress		76,321	77,634
Investment in films		83,083	29,939
Loan to a director		481,606	–
Trade receivables	13	1,998	290
Deposits, prepayment and other receivables		669,331	653,255
Financial assets at fair value through profit or loss		92,915	208,460
Amount due from a joint venture		45	30
Time deposits		279	276
Cash and bank balances		102,021	503,450
		5,071,527	4,760,441
Total assets		5,285,909	5,343,571
Capital and reserves			
Share capital		24,858	26,306
Reserves		3,039,780	3,409,608
Equity attributable to owners of the Company			
Non-controlling interests		(662)	(643)
Total equity		3,063,976	3,435,271

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31st December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		–	981
Bank borrowings		–	1,293,880
		<hr/>	<hr/>
		–	1,294,861
		<hr/>	<hr/>
Current liabilities			
Trade payables	14	58,392	22,710
Deposits received, accruals and other payables		84,234	82,908
Lease liabilities		981	4,704
Bank borrowings		1,478,850	–
Financing note payables		96,360	–
Amounts due to non-controlling interests		503,116	503,116
Tax payable		–	1
		<hr/>	<hr/>
		2,221,933	613,439
		<hr/>	<hr/>
Total liabilities		2,221,933	1,908,300
		<hr/>	<hr/>
Total equity and liabilities		5,285,909	5,343,571
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		2,849,594	4,147,002
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		3,063,976	4,730,132
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda and Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong respectively.

Its immediate and ultimate holding company is Heung Wah Keung Family Endowment Limited which is equally owned by Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany, spouse of Mr. Heung.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

The principal activities of the Group are investment, production, distribution and licensing of films and television drama series, provision of artist management services and properties development and investment.

The Group was also engaged in provision of catering services which was discontinued in current year.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (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 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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

(b) New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Concessions, beyond 30th June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ²

¹ Effective for annual periods beginning on or after 1st April 2021.

² Effective for annual periods beginning on or after 1st January 2022.

³ Effective for annual periods beginning on or after 1st January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of presentation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the disclosure requirements of the Hong Kong Companies Ordinance.

4. SEGMENT INFORMATION

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

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

An operating segment regarding the restaurant operations was discontinued in the current year. The segment information reported below does not include any amounts for this discontinued operation, which are described in more details in note 10.

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

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

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

Continuing operations

Segment information about these operations is presented as below:

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

	Segment revenue		Segment results	
	2021	2020	2021	2020
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
		(Restated)		(Restated)
Continuing operations				
Film related business operations	3,717	3,647	(43,526)	(28,900)
Property development and investment operations	–	–	(38,441)	(24,153)
	<u>3,717</u>	<u>3,647</u>	<u>(81,967)</u>	<u>(53,053)</u>
Reconciliation from segment results to loss before tax				
Unallocated corporate income			117,580	88,578
Loss arising on change in fair value of financial assets at fair value through profit or loss (“FVTPL”)			(120,197)	(97,204)
Share of result of a joint venture			(2)	2
Unallocated corporate expenses			(64,063)	(45,682)
Loss before tax			<u>(148,649)</u>	<u>(107,359)</u>

4. SEGMENT INFORMATION (CONTINUED)

Continuing operations (Continued)

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

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

Segment results represent the loss suffered by each segment without allocation of central administrative expenses, partial finance costs, and partial other operating expenses 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
ASSETS		
Segment assets		
Continuing operations		
– Film related business operations	643,660	643,497
– Property development and investment operations	3,807,808	3,467,790
	<u>4,451,468</u>	<u>4,111,287</u>
Discontinued operation		
– Restaurant operations	–	7,603
	<u>–</u>	<u>7,603</u>
Total segment assets	4,451,468	4,118,890
Unallocated assets	834,441	1,224,681
	<u>5,285,909</u>	<u>5,343,571</u>
LIABILITIES		
Segment liabilities		
Continuing operations		
– Film related business operations	73,279	71,946
– Property development and investment operations	2,134,484	1,816,827
	<u>2,207,763</u>	<u>1,888,773</u>
Discontinued operation		
– Restaurant operations	–	754
	<u>–</u>	<u>754</u>
Total segment liabilities	2,207,763	1,889,527
Unallocated liabilities	14,170	18,773
	<u>2,221,933</u>	<u>1,908,300</u>

4. SEGMENT INFORMATION (CONTINUED)

Continuing operations (Continued)

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

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

- all assets are allocated to reportable segments, other than loan to a director, interest in a joint venture, partial deposits, prepayment and other receivables, financial assets at FVTPL, 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) Other segment information

	Film related		Property development and		Unallocated		Consolidated	
	business operations		investment operations					
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Restated)								
Continuing operations								
Amounts included in the measure of segment results or segment assets:								
Amortisation of film rights	129	964	-	-	-	-	129	964
Gain on reassessment of lease term	-	-	-	(108)	-	-	-	(108)
Depreciation of property, plant and equipment	991	1,082	1,707	3,244	6,805	7,011	9,503	11,337
Impairment loss recognised in respect of film rights	2,862	-	-	-	-	-	2,862	-
Impairment loss recognised in respect of films in progress	1,313	26,384	-	-	-	-	1,313	26,384
Impairment loss recognised in respect of property, plant and equipment	-	-	-	8,356	-	-	-	8,356
Allowance for expected credit loss ("ECL") on trade receivables	46	-	-	-	-	-	46	-
Allowance for ECL on deposits and other receivables	3,339	5,035	-	-	17,417	392	20,756	5,427
Reversal of allowance for ECL on loan receivables	-	-	-	-	-	(873)	-	(873)
Loss/(gain) on disposal of property, plant and equipment	-	-	16,550	-	(29,916)	-	(13,366)	-
Loss on written off of property, plant and equipment	62	-	-	2,142	79	-	141	2,142
Loss arising on change in fair value of financial assets at FVTPL	32,216	-	-	-	120,197	97,204	152,413	97,204
Loss arising on change in fair value of investment properties	-	-	694	-	-	-	694	-
Additions to property, plant and equipment	-	-	538	579	260	13	798	592
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:								
Bank interest income	643	1,258	170	887	14	1,574	827	3,719
Loan interest income	-	-	-	-	86,102	84,599	86,102	84,599
Finance costs	-	-	1,751	44	82	206	1,833	250
Share of result of a joint venture	-	-	-	-	2	(2)	2	(2)

4. SEGMENT INFORMATION (CONTINUED)

Continuing operations (Continued)

(d) Information about major customers

Continuing operations

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Film related business operations		
Customer A	<u>3,000</u>	<u>1,240</u>

Except disclosed above, no other customers contributed 10% or more to the Group's revenue for both years.

(e) Geographical information

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

	Revenue from external customers		Non-current assets (excluded financial instruments)	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	15	71	51,089	127,628
Macau	–	–	754	1,334
Taiwan	–	–	162,539	33,664
The People's Republic of China excluded Hong Kong, Macau and Taiwan (the "PRC")	3,437	3,537	–	–
Others	265	39	–	–
	<u>3,717</u>	<u>3,647</u>	<u>214,382</u>	<u>162,626</u>

5. REVENUE

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Continuing operations		
Disaggregation of revenue from contracts with customers		
Distribution fee income	3,093	3,576
Artist management service income	449	71
	<u>3,542</u>	<u>3,647</u>
Revenue from contracts with customers	3,542	3,647
Revenue from other sources		
Income from investment in films	175	–
	<u>175</u>	<u>–</u>
	3,717	3,647
	<u>3,717</u>	<u>3,647</u>
	2021 HK\$'000	2020 HK\$'000 (Restated)
Revenue from contracts with customers		
Timing of revenue recognition		
A point in time	3,542	3,647
	<u>3,542</u>	<u>3,647</u>

6. OTHER REVENUE AND OTHER INCOME

	2021 HK\$'000	2020 HK\$'000 (Restated)
Continuing operations		
Dividend income	–	775
Bank interest income	827	3,719
Loan interest income	86,102	84,599
Management fee income	–	30
Government grants (<i>Note</i>)	346	194
Gain on deregistration of a subsidiary	–	764
Gain on disposal of property, plant and equipment	13,366	–
Gain on reassessment of lease term	–	108
Foreign exchange gain	2,243	4,750
Reversal of allowance for ECL on loan receivables	–	873
Sundry income	19	1,341
	<u>102,903</u>	<u>97,153</u>

Note: During the year ended 31st December 2021, the Group recognised government grants of HK\$346,000 (2020: HK\$194,000) from continuing operations in respect of Covid-19 related subsidies provided by Macau government.

7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Interests on bank borrowings	54,576	63,896
Interests on financing note payables	220	–
Bank guarantee charges	1,368	–
Interests on lease liabilities	82	250
Other finance costs	163	–
	<u>56,409</u>	<u>64,146</u>
Interests capitalised to stock of properties	<u>(54,576)</u>	<u>(63,896)</u>
	<u>1,833</u>	<u>250</u>

8. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Continuing operations		
Amortisation of film rights (included in cost of sales)	129	964
Auditors' remuneration and other services:		
Auditors of the Company		
– audit services	800	840
– non-audit services	137	138
	937	978
Depreciation of property, plant and equipment	9,503	11,337
Employee benefit expenses	43,984	41,370
Expense relating to short-term leases	1,084	676
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	105	98
Allowance for ECL on trade receivables (included in other operating expenses)	46	–
Allowance for ECL on deposits and other receivables (included in other operating expenses)	20,756	5,427
Reversal of allowance for ECL on loan receivables	–	(873)
Impairment loss recognised in respect of film rights (included in other operating expenses)	2,862	–
Impairment loss recognised in respect of films in progress (included in other operating expenses)	1,313	26,384
Impairment loss recognised in respect of property, plant and equipment (included in other operating expenses)	–	8,356
Loss on written off of property, plant and equipment	141	2,142

9. INCOME TAX CREDIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Over-provision in prior year	–	32

On 21st March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, 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 consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made for the year ended 31st December 2021 and 2020 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 years. Macau subsidiaries are subject to Macau Complementary Tax at the maximum progressive rate of 12% on the estimated assessable profit for both years. 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 PRC Enterprise Income Tax, Macau Complementary Tax and Taiwan corporate tax has been made for both years as the Group has no assessable profits arising in the PRC, Macau and Taiwan.

10. DISCONTINUED OPERATION

On 30th September 2021, the Group closed down its restaurant located in Hong Kong permanently which constituted a major line of business. The loss for the period from the discontinued operation which have been included in the consolidated statement of profit or loss is set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the restaurant operations as a discontinued operation.

	Period from 1st January 2021 to 30th September 2021 HK\$'000	Year ended 31st December 2020 HK\$'000
Revenue	1,595	1,379
Cost of sales	(432)	(387)
Gross profit	1,163	992
Other revenue and other income	151	250
Administrative expenses	(9,180)	(4,358)
Loss before tax	(7,866)	(3,116)
Income tax expense	–	–
Loss for the period/year	(7,866)	(3,116)

Loss for the period/year from discontinued operation has been arrived at after charging/(crediting):

	Period from 1st January 2021 to 30th September 2021 HK\$'000	Year ended 31st December 2020 HK\$'000
Cost of inventories	432	387
Depreciation of property, plant and equipment	1,426	1,688
Employee benefit expenses:		
Salaries and other allowances	1,643	2,404
Retirement benefits scheme contributions	67	101
Staff welfare expenses	3	1
Less: government grants (<i>Note</i>)	–	(421)
	1,713	2,085
Loss on disposal of property, plant and equipment	5,435	–
Loss on written off of property, plant and equipment	156	3

Note: During the year ended 31st December 2020, the Group recognised government grants of HK\$421,000 from discontinued operation related to Employment Support Scheme provided by the Hong Kong government which are deducted from employee benefit expenses.

10. DISCONTINUED OPERATION (CONTINUED)

Cash flows of the discontinued operation for the period/year were as follow:

	Period from 1st January 2021 to 30th September 2021 HK\$'000	Year ended 31st December 2020 HK\$'000
Net operating cash inflow	509	2,790
Net investing cash inflow/(outflow)	199	(2,180)
Total cash inflow	708	610

11. DIVIDEND

No final dividend was paid or proposed during the year, nor any dividend has been proposed by the board of directors subsequent to the end of the reporting period (2020: nil).

12. LOSS PER SHARE

From continuing and discontinued operations

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

	2021 HK\$'000	2020 HK\$'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(156,496)	(110,430)
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,506,875	2,659,166

Pursuant to the deed polls of the bonus convertible bonds ("Bonus CBs"), the Bonus CBs conferred the holders with the same economic interests attached to the shareholders of the Company. Accordingly, 1,060,317 (2020: 1,060,317) fully paid ordinary shares of HK\$0.01 each which shall be convertible from an aggregated amount of approximately HK\$265,000 (2020: HK\$265,000) outstanding Bonus CBs are included in the weighted average number of ordinary shares for calculating the basic loss per share.

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

12. LOSS PER SHARE (CONTINUED)

From continuing operations

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(148,630)</u>	<u>(107,314)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

From discontinued operation

Basic and diluted loss per share for the discontinued operation is HK0.31 cents per share (2020: HK0.12 cents per share), based on the loss for the period from the discontinued operation of HK\$7,866,000 (2020: HK\$3,116,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

13. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Credit card receivables	–	5
Other trade receivables	2,684	925
Less: allowance for ECL	<u>(686)</u>	<u>(640)</u>
	<u>1,998</u>	<u>290</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	38	5
31 to 60 days	1,463	–
61 to 90 days	175	–
Over 90 days	<u>322</u>	<u>285</u>
	<u>1,998</u>	<u>290</u>

13. TRADE RECEIVABLES (CONTINUED)

The Group's trading terms with its customers from discontinued 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.

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

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
At 1st January 2020	–	963	963
Written off	–	(323)	(323)
At 31st December 2020 and at 1st January 2021	–	640	640
Allowance for ECL	46	–	46
At 31st December 2021	46	640	686

14. TRADE PAYABLES

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

	2021 HK\$'000	2020 HK\$'000
0 to 30 days	48,144	17
31 to 60 days	3,232	–
61 to 90 days	–	–
Over 90 days	7,016	22,693
	58,392	22,710

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

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation and the disclosure requirements in respect of the discontinued operation set out in note 10.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31st December 2021, the Group recorded revenue from continuing operations of HK\$3,717,000, representing a decrease of 2% from HK\$3,647,000 for the year ended 31st December 2020.

Loss for the year amounted to HK\$156,515,000, representing an increase of 42% from HK\$110,443,000 for the year ended 31st December 2020. Loss for the year mainly included recognition of loss arising on change in fair value of financial assets at fair value through profit or loss of HK\$152,413,000 (2020: HK\$97,204,000), other operating expenses of HK\$24,977,000 (2020: HK\$40,167,000) and administrative expenses of HK\$75,063,000 (2020: HK\$67,118,000) and partially offset by other revenue and other income of HK\$102,903,000 (2020: HK\$97,153,000). The increase in loss is mainly attributable to the substantial increase in recognition of loss arising on change in fair value of financial assets at fair value through profit or loss from equity securities listed in Hong Kong of HK\$62,671,000 (2020: HK\$72,321,000), Call Option (defined below) of HK\$57,526,000 (2020: HK\$24,883,000) and investment in films of HK\$32,216,000 (2020: nil) respectively which were financial assets stated at fair values held by the Group.

Loss attributable to owners of the Company from continuing operations for the year ended 31st December 2021 amounted to HK\$148,630,000, representing an increase of 39% from HK\$107,314,000 in the previous year.

These results reflect the continuing operations of the Group excluded the discontinued operation of the restaurant operations.

Loss attributable to owners of the Company from discontinued operation for the year ended 31st December 2021 amounted to HK\$7,866,000, representing an increase of 152% from HK\$3,116,000 in the previous year.

DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31st December 2021 (2020: nil).

BUSINESS REVIEW

Continuing Operations

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

Of the total revenue for the year, HK\$3,717,000 or 100% was generated from film related business operations and no revenue was generated from property development and investment operations.

Film Related Business Operations

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

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.

In year 2021, revenue from film related business operations amounted to HK\$3,717,000 (2020: HK\$3,647,000) and its segment loss amounted to HK\$43,526,000 (2020: HK\$28,900,000). The Group did not start own production shooting and distribute any new film during the year. After the outbreak of Coronavirus Disease 2019 (“COVID-19 pandemic”) in early 2020, all film productions have temporary suspended or slowed down. In the mid-2021, the Group has gradually restarted reviewing our productions when COVID-19 pandemic in Hong Kong seems under control with proper prevention and control measures and increasing vaccination rates. However, worrying economic signs resurfaced near end of the year amidst pronounced inflationary pressures, surging cases of COVID-19 variants, film market slowed down again. The Group has regularly reviewed its film in progress and considered whether these titles should proceed or suspended further productions. The segment loss mainly included impairment loss recognised in respect of films in progress and film rights of HK\$1,313,000 (2020: HK\$26,384,000) and HK\$2,862,000 (2020: nil) respectively and loss arising on change in fair value of investment in films of HK\$32,216,000 (2020: nil). Loss arising on change in fair value mainly came from unsatisfactory result of a new film that classified as investment in films released in year 2021. As at 31st December 2021, no film or television drama series of the Group are in shooting stage and one film classified as investment in films is in shooting stage in China as at the reporting date. The Group will pay close attention to the development of the COVID-19 pandemic and evaluate its impact on our film operations and take appropriate action when necessary.

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 “Tiffany House”).

Under the Urbanistic Conditions Plan, the Property C7 which is a lot of land with the site area of 4,669 square meters, will be developed for residential and parking purpose, with the maximum allowed height of the building of 34.5 meters above sea level and maximum utilization rate of 5.58 (parking not included). The 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 Group has compiled a revised development plan of the Property C7 in accordance with the parameters for submission to the Land, Public Works and Transport Bureau of Macau (“DSSOPT”) for approval and has not yet received any reply from DSSOPT. The development of the Property C7 is planned to start after the development of Tiffany House. The Group is currently indirectly interested in 50% of the Property C7. Ms. Chen Ming Yin Tiffany (“Ms. Chen”) had granted a call option (the “Call Option”) to Best Combo Limited, a wholly owned subsidiary of the Company (“Best Combo”) which allowed Best Combo to require Ms. Chen to sell the entire issued share capital of Reform Base Holdings Limited that indirectly held 25% of the Property C7 at consideration of HK\$500,000,000 (subject to adjustment) during the exercise period falling on the expiry of 60 months from 6th April 2017 (the “Exercisable Period”) and Best Combo had granted a fixed term loan at principal amount of HK\$500,000,000 (subject to adjustment), interest bearing at 5% and repayable on the date falling 60 months from 6th April 2017 (“Final Repayment Date”). The Group intends to extend the Final Repayment Date and the Exercisable Period of the Call Option, details are further disclosed in section “Event after the Reporting Period”.

Tiffany House is located adjacent to Macao Polytechnic Institute and next to Golden Lotus Square, and is a couple of blocks away from Macau Fisherman’s Wharf and Sands Casino. Tiffany House has a gross floor area of (a) residential – 31,192 square meters, including approximately 1,900 square meters for clubhouse, (b) commercial – 3,716 square meters and (c) parking – 11,250 square meters and provides 230 units in two towers, with units ranging from studio flats to four-bedroom apartments as well as special units and 272 carparks and 75 motorcycle parks. A prestigious clubhouse provides a wide range of facilities and retail space at the podium will become a major shopping arcade in the nearby area. Construction works started in June 2017 and has obtained its occupational permit in December 2019. Tiffany House is ready for sale. Macau’s visitor arrivals have been picking up since the reopening of the border with China and the city’s economy showed signs of recovery in first quarter of year 2021, however, its property market remained stagnant with no significant improvement and statistics by Macau government shows ongoing outflow of expatriate employees from Macau’s labour market. In order to increase the marketability of Tiffany House, the Group decided to set up a sales office in Hong Kong so as to absorb potential buyers outside Macau. Both Hong Kong and Macau sale offices are ready to open anytime. As there are still stringent inbound control measures in Mainland China, Hong Kong and Macau, thereby severely reducing the travel between the Guangdong-Hong Kong-Macau Greater Bay Area. With the gradual lifting of Hong Kong’s local anti-epidemic measures in the mid-year 2021 and registration for Hong Kong Health Code starts near year end, the Group expected release of inbound control measures in Mainland China, Hong Kong and Macau can effect in the first quarter of year 2022. Therefore, Tiffany House is scheduled to launch sales in March 2022.

Following the severe outbreak of Omicron in Hong Kong at date of reporting, the Group considers that it is not appropriate time for launching sales of Tiffany House. The Group will closely monitor the development of Omicron and launch sales in the most appropriate time and considers that sales can be launch in year 2022.

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\$160,365,000. On 27th January 2021, the Group completed the acquisition of the Taiwan Property. As at 31st December 2021, the Taiwan Property was vacant and held as an investment property in carrying amount of HK\$162,176,000 for long term capital growth purposes. The Taiwan Property is going for rental purpose and is expected to generate stable rental income to the Group.

No revenue was recorded from property development and investment operations for the years ended 31st December 2021 and 31st December 2020 and its segment loss amounted to HK\$38,441,000 (2020: HK\$24,153,000). The segment loss mainly included loss on disposal of a property of HK\$16,550,000, loss arising on change in fair value of investment property of HK\$694,000 and administrative expenses.

Discontinued Operation

Restaurant Operations

The Group’s restaurant “Obba Bar” served various high-ended international cuisine and was located in the Group’s property in Sheung Wan, Hong Kong.

In year 2021, revenue from restaurant operations amounted to HK\$1,595,000 (2020: HK\$1,379,000) and its segment loss amounted to HK\$7,866,000 (2020: HK\$3,116,000). The Group had worked on every effort to improve the performance of the operation of Obba Bar and its revenue showed slight improvement. However, after careful consideration, the Group considered that the location of the restaurant was a fatal factor for its unsatisfactory performance. Therefore, Obba Bar ceased its operation at end of September 2021 and the owned property in Sheung Wan, Hong Kong was disposed by the Group. The increase in segment loss was mainly due to loss on disposal and written off of furniture, fixtures and equipment of HK\$5,435,000 and HK\$156,000 respectively for cessation of business.

Geographical Segments

For the geographical segments, revenue of HK\$15,000 or 0% (2020: HK\$71,000 or 2%) was sourced from Hong Kong, HK\$3,437,000 or 93% (2020: HK\$3,537,000 or 97%) was sourced from China and HK\$265,000 or 7% (2020: HK\$39,000 or 1%) was sourced from other territories.

Administrative Expenses

For the year ended 31st December 2021, administrative expenses from continuing operations amounted to HK\$75,063,000 (2020: HK\$67,118,000), representing an increase of 12%. The increase mainly represented 6% increase in employee benefit expenses which amounted to HK\$43,984,000 (2020: HK\$41,370,000) and generally increase in maintenance and operation expenses incurred in Tiffany House. Besides, 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 pandemic. The Group recorded expenses of approximately HK\$3,000,000 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.

Finance Costs

For the year ended 31st December 2021, finance costs amounted to HK\$1,833,000 (2020: HK\$250,000) were charged to the consolidated income statement and interests financing construction costs of Tiffany House amounted to HK\$54,576,000 (2020: HK\$63,896,000) were capitalised to stock of properties.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December 2021, the Group had total assets of HK\$5,285,909,000 (2020: HK\$5,343,571,000) and a net current assets of HK\$2,849,594,000 (2020: HK\$4,147,002,000), representing a current ratio of 2.3 (2020: 7.8). The Group had cash and bank balances and time deposits of HK\$102,300,000 (2020: HK\$503,726,000).

As at 31st December 2021, the Group had total borrowing of HK\$1,576,191,000 (2020: HK\$1,299,565,000) which comprised a secured bank term loan (the “Term Loan”) of HK\$1,478,850,000 (2020: HK\$1,293,880,000), a loan note (the “Note Payable”) of HK\$96,360,000 (2020: nil) and lease liabilities of HK\$981,000 (2020: HK\$5,685,000). The purpose of the Term Loan is to finance the construction costs and any other soft costs in relation to Tiffany House. The Term Loan is in multiple drawdown and secured by the leasehold land and properties to be erected on the land of Tiffany House with carrying amount as stock of properties of HK\$2,159,307,000, interest bearing at Hong Kong Interbank Offered Rate (“HIBOR”) for three or six month period selected by the borrower plus margin of 3.35% per annum for each interest period and repayable by the earlier of (i) 36 months from date of the agreement of the Term Loan or (ii) 9 months after date of issuing of the occupation permit of Tiffany House, i.e. 13th September 2020. In year 2020, the maturity date of the Term Loan is 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\$162,176,000 has 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 guarantee will expired on 24th January 2051 or upon early termination.

As at 31st December 2021, the Group had banking facilities amounting to HK\$1,600,000,000 which were utilised to the extent of HK\$1,478,850,000. The Group's gearing was acceptable during the year with total debts of HK\$1,576,191,000 (2020: HK\$1,299,565,000) against owners' equity of HK\$3,064,638,000 (2020: HK\$3,435,914,000). This represents a gearing ratio, calculated in the basis of the Group's total borrowings over owners' equity of 51% (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 31st December 2019; and HK\$350,000,000 was originally intended to be applied to finance the business operations of the property development and investment. On 27th January 2021, the Group utilized proceeds of approximately HK\$160,365,000 for completion of the acquisition of the Taiwan Property. Except for this, HK\$60,000,000 and HK\$68,580,000 were utilized for the marketing and promotion of Tiffany House and advance payment of construction costs for Tiffany House respectively during the year. As at 31st December 2021, proceeds of HK\$61,055,000 were unused and will be utilized as intended.

During the year ended 31st December 2021, the Group had disposed certain properties at an aggregate consideration of HK\$74,060,000 and recorded gain on disposal of HK\$13,366,000 from the continuing operations. The disposed properties included the location of our restaurant "Obba Bar" which considered not suitable for our business operation purpose and recorded loss on disposal of HK\$16,550,000, our film library which was tailored to store 35mm motion pictures for nearly 20 years and its function flamed out upon the advent of digital cinematography and recorded gain on disposal of HK\$25,021,000, and small industrial units for storage purpose which considered their disposals can save manpower for maintaining their operation and recorded gain on disposal of HK\$4,895,000.

As at the date of approving these annual results and as at 31st December 2021, the fair value of the Group's equity securities listed in Hong Kong held at 31st December 2021 was approximately HK\$68,130,000 and HK\$87,531,000 respectively. During the year ended 31st December 2021, the Group acquired HK\$39,946,000 equity securities listed in Hong Kong and disposed proceeds of HK\$35,294,000 equity securities listed in Hong Kong. The loss arising on change in fair value of financial assets at fair value through profit and loss of HK\$62,671,000 was resulted from change in fair values of equity securities listed in Hong Kong between the year ended 31st December 2021 and 31st December 2020. As at 31st December 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 year, the Company repurchased a total of 144,760,000 ordinary shares of the Company at an aggregate price of HK\$214,150,000 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. The total number of issued shares of the Company after its cancellation as at 31st December 2021 was reduced to 2,485,851,000 (31st December 2020: 2,630,611,000) and its issued share capital was HK\$24,858,000 (31st December 2020: HK\$26,306,000).

During the year ended 31st December 2021, no share options of the Company were granted, exercised, lapsed, expired or cancelled.

PLEDGE OF ASSETS

As at 31st December 2021, stock of properties in carrying amount of HK\$2,159,307,000 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, and time deposit 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\$162,176,000 has 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 31st December 2021, outstanding commitments by the Group amounted to HK\$194,512,000, of which HK\$171,981,000 as development expenditure for stock of properties in Macau and HK\$22,531,000 for film rights, films in progress and film deposits.

CONTINGENT LIABILITIES

As at 31st December 2021, the Group had no material contingent liability.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2021, the Group employed 66 staff (2020: 62 staff) with employee benefit expenses of HK\$43,984,000 (2020: HK\$41,370,000, after deducting of HK\$2,249,000 related to Employment Support Scheme provided by the Hong Kong government) from the continuing operations, an increase of 6%. Other than the effect of government grants, the increase mainly included increase in headcount who are responsible for preparation for sales and management of the 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.

EVENTS AFTER THE REPORTING PERIOD

On 28th January 2022 and 11th February 2022, Best Combo and Ms. Chen entered into the Second Deed of Variation and the Side Letter, respectively, pursuant to which Best Combo (as lender) and Ms. Chen (as borrower) have agreed to (i) conditional upon the Company having obtained approval from the independent shareholders of the Company, extend the Final Repayment Date to the date falling on the expiry of 69 months from the drawdown date, i.e., 5th January 2023; and (ii) extend the Exercisable Period to any time within the date falling on the expiry of 69 months from the drawdown date, i.e., 5th January 2023. As the Company is still in discussions with the DSSOPT regarding the future development of the Property C7 and no approval has yet obtained, the Board required more time to discuss the future development of the Property C7 with DSSOPT and considers that it is in the interest of the Company to retain the right to exercise the Call Option to acquire an additional 25% interest in the Property C7 through the acquisition of the Call Option Shares, and as such, Best Combo and Ms. Chen have agreed to extend the Exercisable Period and correspondingly the Final Repayment Date. In addition, the Company is currently holding a 50% indirect interest in the Property C7 and if the Company can exercise the Call Option, the Company will hold 75% indirect interest in the Property C7 and will have controlling interest in the Property C7 over its development which is considered beneficial to and in the interest of the Company.

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

PROSPECT

The business environment in 2022 will remain volatile, especially in Hong Kong. As year 2022 commenced, the Omicron variant outbreak and the re-introduced social distancing measures severely hurt the stability and economic environment of Hong Kong, we hope the situation can improve in the second half of the year. The Group will temporarily slowdown our operations until there are clear and positive signs of economic recovery.

For the property development and investment operations, the Group has postponed sale of Tiffany House to around mid-year 2022. During this period, the Group will spend its effort to fluent our sales and marketing plan. The Group is still optimistic towards the market prospect for the rest of this year, as Hong Kong has experiencing the most difficult moment and will gradually gain signs of economic recovery following relieve of the COVID-19 pandemic. With the gradual lifting of Hong Kong's local anti-epidemic measures and implementation for Hong Kong Health Code system, the Group expected release of inbound control measures in Mainland China, Hong Kong and Macau can benefit the property market in Macau. The Group will grasp this opportunity to launch sales of Tiffany House.

For film related business operation, the Group will continue its furtherance and development of production and distribution operations in its own established film and television drama series. During these two years, China is the world's largest film market in terms of box office revenue. While film production and cinema operation around the world have been experiencing massive disruptions due to the COVID-19 pandemic, China can still keep its box office revenue. Giving a rising living standard and a massive demand for entertainment, Chinese moviegoers will become more significant for the global film industry. Given our experience in film and television drama series production and distribution network in the film and television drama series industry, the Group is confident in the production of film and television drama series operations and hopes to gain greater share of this fast growing box office market in the aftermath of the pandemic.

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 year ended 31st December 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	<u>52,840,000</u>	1.45	1.40	<u>76,285,000</u>
	<u><u>144,760,000</u></u>			<u><u>214,150,000</u></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 repurchases 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 year ended 31st December 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") for the year ended 31st December 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. 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, risk management and financial reporting matters including the review of the Group's consolidated financial statements for the year ended 31st December 2021.

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 2021. The Model Code also applies to other specified senior management of the Group.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated results for the year ended 31st December 2021 as set out in this announcement have been agreed by the Company's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Company's audited consolidated financial statements for the year ended 31st December 2021. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

PUBLICATION OF ANNUAL REPORT

The Company's 2021 annual report will be despatched to the shareholders of the Company on or before 30th April 2022 and will be published on the website of Stock (www.hkexnews.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, 30th March 2022

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.