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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 2022**

#### **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 2022 together with the comparative figures as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2022

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

## CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the six months ended 30th June 2022

	<b>Six months ended 30th June</b>	
	<b>2022</b>	2021
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited) (Restated)
<b>Loss for the period attributable to:</b>		
Owners of the Company		
– from continuing operations	(35,933)	(34,560)
– from discontinued operation	–	(1,427)
	<u>(35,933)</u>	<u>(35,987)</u>
Non-controlling interests		
– from continuing operations	(10)	(10)
– from discontinued operation	–	–
	<u>(10)</u>	<u>(10)</u>
	<u>(35,943)</u>	<u>(35,997)</u>
	<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share</b>		
	9	
From continuing and discontinued operations		
– Basic and diluted	<u>(1.44)</u>	<u>(1.42)</u>
From continuing operations		
– Basic and diluted	<u>(1.44)</u>	<u>(1.37)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2022

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2022

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

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

At 30th June 2022

	<i>Notes</i>	<b>At 30th June 2022 HK\$'000 (Unaudited)</b>	At 31st December 2021 HK\$'000 (Audited)
<b>Capital and reserves</b>			
Share capital		24,858	24,858
Reserves		<u>3,003,766</u>	<u>3,039,780</u>
<b>Equity attributable to owners of the Company</b>			
Non-controlling interests		<u>(672)</u>	<u>(662)</u>
<b>Total equity</b>		<u><b>3,027,952</b></u>	<u>3,063,976</u>
<b>Non-current liabilities</b>			
Lease liabilities		5,895	–
Deferred tax liabilities		<u>629</u>	<u>–</u>
		<u><b>6,524</b></u>	<u>–</u>
<b>Current liabilities</b>			
Trade payables	12	23,516	58,392
Deposits received, accruals and other payables		82,574	84,234
Lease liabilities		3,173	981
Bank borrowings		1,600,000	1,478,850
Financing note payables		90,129	96,360
Amounts due to non-controlling interests		<u>503,116</u>	<u>503,116</u>
		<u><b>2,302,508</b></u>	<u>2,221,933</u>
<b>Total liabilities</b>		<u><b>2,309,032</b></u>	<u>2,221,933</u>
<b>Total equity and liabilities</b>		<u><b>5,336,984</b></u>	<u>5,285,909</u>
<b>Net current assets</b>		<u><b>2,819,132</b></u>	<u>2,849,594</u>
<b>Total assets less current liabilities</b>		<u><b>3,034,476</b></u>	<u>3,063,976</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 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

### *Application of amendments to HKFRSs*

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

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

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



### 3. SEGMENT INFORMATION

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

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

An operating segment regarding the restaurant operations was discontinued in the year ended 31st December 2021. The segment information reported below does not include any amounts for this discontinued operation.

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  |

### 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 2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)	Six months ended 30th June 2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)
<b>Continuing operations</b>				
Film related business operations	252	35	(6,153)	(5,635)
Property development and investment operations	—	—	(10,383)	(9,271)
	<u>252</u>	<u>35</u>	<u>(16,536)</u>	<u>(14,906)</u>
Reconciliation from segment results to loss before tax				
Unallocated corporate income			30,854	41,832
Loss arising on change in fair value of financial assets at fair value through profit or loss ("FVTPL")			(23,380)	(38,344)
Share of result of a joint venture			—	(2)
Unallocated corporate expenses			<u>(26,231)</u>	<u>(23,149)</u>
Loss before tax			<u><u>(35,293)</u></u>	<u><u>(34,569)</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 2022 HK\$'000 (Unaudited)	At 31st December 2021 HK\$'000 (Audited)
<b>ASSETS</b>		
Segment assets		
– Film related business operations	541,616	643,660
– Property development and investment operations	3,998,414	3,807,808
	<hr/>	<hr/>
Total segment assets	4,540,030	4,451,468
Unallocated assets	796,954	834,441
	<hr/>	<hr/>
	<b>5,336,984</b>	5,285,909
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
Segment liabilities		
– Film related business operations	72,171	73,279
– Property development and investment operations	2,215,697	2,134,484
	<hr/>	<hr/>
Total segment liabilities	2,287,868	2,207,763
Unallocated liabilities	21,164	14,170
	<hr/>	<hr/>
	<b>2,309,032</b>	2,221,933
	<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, partial property, plant and equipment for central administrative purposes; and
- all liabilities are allocated to reportable segments, other than partial deposits received, accruals and other payables and partial lease liabilities.

#### (c) Geographical information

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

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

#### 4. REVENUE

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

	<b>Six months ended 30th June</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited) (Restated)
<b>Continuing operations</b>		
<b>Disaggregation of revenue from contracts with customers</b>		
Distribution fee income	252	23
Artist management service income	–	12
	<u>252</u>	<u>35</u>
<b>Revenue from contracts with customers</b>	<b><u>252</u></b>	<b><u>35</u></b>

	<b>Six months ended 30th June</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited) (Restated)
<b>Revenue from contracts with customers</b>		
Timing of revenue recognition		
A point in time	252	35
	<u>252</u>	<u>35</u>

#### 5. OTHER REVENUE AND OTHER INCOME

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

## 6. FINANCE COSTS

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

## 7. LOSS BEFORE TAX

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

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

## 8. INCOME TAX EXPENSE

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Current tax:		
– PRC Enterprise Income Tax	–	1
Deferred tax	<u>650</u>	<u>–</u>
	<u>650</u>	<u>1</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 have 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 the PRC Enterprise Income Tax has been made for the six months ended 30th June 2022 as the Group has no assessable profits arising in the PRC.

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

## 9. LOSS PER SHARE

### From continuing and discontinued operations

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

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(35,933)</u>	<u>(35,987)</u>
	Six months ended 30th June	
	2022	2021
	'000	'000
	(Unaudited)	(Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,486,911</u>	<u>2,527,170</u>

Pursuant to the deed polls of the bonus convertible bonds (“Bonus CBs”), the Bonus CBs conferred the holders with the same economic interests attached to the shareholders of the Company. Accordingly, 1,060,317 (30th June 2021: 1,060,317) fully paid ordinary shares of HK\$0.01 each which shall be convertible from an aggregated amount of approximately HK\$265,000 (30th June 2021: HK\$265,000) outstanding Bonus CBs are included in the weighted average number of ordinary shares for calculating the basic loss per share for the six months ended 30th June 2022 and 30th June 2021.

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



**9. LOSS PER SHARE (Continued)**

**From continuing operations**

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

	<b>Six months ended 30th June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<b>(35,933)</b>	<b>(34,560)</b>

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

**From discontinued operation**

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

**10. INTERIM DIVIDEND**

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

## 11. TRADE RECEIVABLES

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

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

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

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

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

## 12. TRADE PAYABLES

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

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

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

## 13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation and the disclosure requirements in respect of the discontinued operation in the year ended 31st December 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

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

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

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

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

### **DIVIDEND**

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

### **BUSINESS REVIEW**

#### **Continuing Operations**

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

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

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

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

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

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

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

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

Under the Urbanistic Conditions Plan, the Property C7 which is a lot of land with the site area of 4,669 square meters, will be developed for residential and parking purpose, with the maximum allowed height of the building of 34.5 meters above sea level and maximum utilization rate of 5.58 (parking not included). The Group has submitted a development plan of the Property to the Land, Public Works and Transport Bureau of Macau (“DSSOPT”), pursuant to which the Property C7 shall be developed into two residential buildings, comprising an eight-storey building and a nine-storey building, with two basement levels of parking area underneath both buildings. The further development of Property C7 and its development plan is awaiting response or further instructions from DSSOPT.

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

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

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

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

## **Discontinued Operation**

### ***Restaurant Operations***

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

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

## **Geographical Segments**

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

## **Administrative Expenses**

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

## **Marketing, Selling and Distribution Expenses**

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

## **Finance Costs**

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

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

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

As at 30th June 2022, the Group had total borrowing of HK\$1,699,197,000 (31st December 2021: HK\$1,576,191,000) which comprised a secured bank term loan (the “Term Loan”) of HK\$1,600,000,000 (31st December 2021: HK\$1,478,850,000), a short-term financing loan note (the “Note Payable”) of HK\$90,129,000 (31st December 2021: HK\$96,360,000) and lease liabilities of HK\$9,068,000 (31st December 2021: HK\$981,000). The purpose of the Term Loan was to finance the construction costs and any other soft costs in relation to Tiffany House. The Term Loan is in multiple drawdown and secured by the leasehold land and properties to be erected on the land of Tiffany House with carrying amount as stock of properties of HK\$2,230,990,000, interest bearing at Hong Kong Interbank Offered Rate (“HIBOR”) for three or six month period selected by the borrower plus margin of 3.35% per annum for each interest period and repayable by the earlier of (i) 36 months from date of the agreement of the Term Loan or (ii) 9 months after date of issuing of the occupation permit of Tiffany House. The maturity date of the Term Loan has extended to 15th September 2022. As at the date of approving these interim results, the Group is still in negotiation with the bank to further extend the maturity date of Term Loan or restructure a new bank loan to replace the Term Loan. The Group does not foresee any problem for such extension or refinancing given that the construction works of Tiffany House has completed and Tiffany House is ready for sales. The Note Payable is interest bearing at fixed interest rate of 0.25% semi-annually with maturity on 29th August 2022 and is expected to renew for every six months period. Investment property in carrying amount of HK\$154,804,000 had been pledged for obtaining its guarantee for the Note Payable issued by the Group that was used to finance the operation in Taiwan. The Group can apply for renewal of the Note Payable for every six months period and the bank guarantee will expired on 24th January 2051 or upon early termination.

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



The net proceeds from the allotment and issue of 1,807,406,986 rights shares at the subscription price of HK\$0.25 per share on 6th August 2018 of approximately HK\$448,850,000, of which HK\$98,850,000 was used to fund the film and television drama series related business operations as intended during the years ended 31st December 2018 and 2019; and HK\$350,000,000 was originally intended to be applied to finance the business operations of the property development and investment. On 27th January 2021, the Group utilized proceeds of approximately HK\$160,365,000 for completion of the acquisition of the Taiwan Property. For the year ended 31st December 2021, HK\$60,000,000 and HK\$68,580,000 were utilized for the marketing and promotion of Tiffany House and advance payment of construction costs for Tiffany House respectively with remaining proceeds of HK\$61,055,000 was unused. For the six months ended 30th June 2022, HK\$26,098,000 were utilized for the marketing and promotion and construction costs of Tiffany House and HK\$68,580,000 was refund upon drawdown of the Term Loan with remaining net proceeds of HK\$103,537,000 was unused and will be utilized as intended.

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

## **SHARE OPTION SCHEME**

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

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

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

## **PLEDGE OF ASSETS**

As at 30th June 2022, stock of properties in carrying amount of HK\$2,230,990,000 and quota capital of China Star Creative Development Limited, a wholly owned subsidiary of the Company which is engaged in the business of property development and investment had been pledged for banking facilities of HK\$1,600,000,000 granted to the Group; time deposit in amount of HK\$249,000 had been pledged as guarantee to Macau government for the deposits in the development of stock of properties in Macau; and investment property in carrying amount HK\$154,804,000 had been pledged to a bank for obtaining its guarantee for the Note Payable issued by the Group.

## **EXCHANGE RISK AND HEDGING**

The majority of the Group's transactions, assets and liabilities are denominated in Hong Kong Dollar, Macau Pataca, United States Dollar, New Taiwan Dollar and Renminbi. The exposure to fluctuation in exchange rates in New Taiwan Dollar and Renminbi mainly arises from assets and liabilities related to the Taiwan Property and receipts and expenditure incurred in film investment, production and distribution respectively. The Group has closely monitors its exposure to this fluctuation and consider appropriate hedging activities if necessary. The exposure to fluctuation in other currencies is considered to be minimal and no hedge activity is considered necessary.

## **COMMITMENTS**

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

## **CONTINGENT LIABILITIES**

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

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30th June 2022, the Group employed 81 staff (Six months ended 30th June 2021: 61 staff) with employee benefit expenses (included directors' remuneration) of HK\$21,652,000 (Six months ended 30th June 2021: HK\$21,983,000) from the continuing operations, a decrease of 2%. There is no material fluctuation for the employee benefit expenses. The increase in headcount as at 30th June 2022 are mainly staffs who are responsible for preparation for sales and management services of Tiffany House in Macau. The directors believe that the quality of its employees is the single most important factor in sustaining the Group's reputation and improving its profitability. The staff are remunerated based on their work performance, professional experience and prevailing industry practices. Apart from basic salaries, pension fund, housing allowances, meal allowances, medical schemes and discretionary bonuses, share options are awarded to certain staff according to the assessment of individual performance.

## **EVENT AFTER THE REPORTING DATE**

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

## **PROSPECT**

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

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

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

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

## **CORPORATE GOVERNANCE PRACTICES**

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

## **AUDIT COMMITTEE**

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

The audit committee of the Company has met and discussed with the Company's independent auditors, and has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June 2022 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosure has been made.

## **ADOPTION OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **PUBLICATION OF INTERIM REPORT**

The Company’s 2022 interim report will be despatched to the shareholders of the Company on or before 30th September 2022 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 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.*