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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 2015

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 2015 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2015

		Six months ended 30th June	
		2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	4	554,457	601,674
Cost of sales		(290,671)	(281,218)
Gross profit		263,786	320,456
Other revenue	5	43,193	16,261
Other income	6	1,388	38
Administrative expenses		(187,043)	(194,465)
Marketing, selling and distribution expenses		(44,235)	(21,592)
Other operating expenses		(52,463)	(6,634)
Gain on disposal of subsidiaries		–	1,286
Gain arising on change in fair value of financial assets classified as held for trading investments		156,275	12,578
Profit from operations		180,901	127,928
Finance costs	7	(12,352)	(10,547)
Share of results of joint ventures		(69)	(642)

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30th June 2015

		Six months ended 30th June	
	<i>Notes</i>	2015	2014
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit before tax	8	168,480	116,739
Income tax credit	9	<u>47</u>	<u>59</u>
Profit for the period from continuing operations		168,527	116,798
Discontinued operation			
Loss for the period from discontinued operation	10	<u>–</u>	<u>(1,660)</u>
Profit for the period		<u>168,527</u>	<u>115,138</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		168,528	114,790
Non-controlling interests		<u>(1)</u>	<u>348</u>
		<u>168,527</u>	<u>115,138</u>
Earnings/(loss) per share			
From continuing and discontinued operations			
Basic	11	<u>HK cents 1.03</u>	<u>HK cents 1.03</u>
Diluted	11	<u>HK cents 1.01</u>	<u>HK cents 1.03</u>
From continuing operations			
Basic	11	<u>HK cents 1.03</u>	<u>HK cents 1.04</u>
Diluted	11	<u>HK cents 1.01</u>	<u>HK cents 1.04</u>
From discontinued operation			
Basic	11	<u>N/A</u>	<u>HK cents (0.01)</u>
Diluted	11	<u>N/A</u>	<u>HK cents (0.01)</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

For the six months ended 30th June 2015

	Six months ended 30th June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>168,527</u>	<u>115,138</u>
Other comprehensive income		
<i>Items that may be reclassified subsequently to condensed consolidated income statement:</i>		
Exchange differences arising on translation of foreign operations:		
Exchange differences arising during the period	(73)	46
Reclassification adjustments relating to foreign operations disposed of during the period	<u>–</u>	<u>(79)</u>
Other comprehensive loss for the period	<u>(73)</u>	<u>(33)</u>
Total comprehensive income for the period	<u>168,454</u>	<u>115,105</u>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	168,455	114,737
Non-controlling interests	<u>(1)</u>	<u>368</u>
	<u>168,454</u>	<u>115,105</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2015

	<i>Notes</i>	At 30th June 2015 <i>HK\$'000</i> (Unaudited)	At 31st December 2014 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		501,999	513,929
Interests in leasehold land		430,034	441,613
Investment property		6,300	6,190
Intangible assets		24,479	25,353
Interests in joint ventures		44	113
		962,856	987,198
Current assets			
Inventories		62,531	73,073
Stock of properties		567,754	566,363
Film rights		14,591	14,591
Films in progress		325,819	79,390
Trade receivables	13	183,025	115,636
Deposits, prepayments and other receivables	14	75,976	662,033
Loan receivables		1,100,000	600,000
Held for trading investments	15	362,766	36,332
Amount due from a joint venture		210	–
Amounts due from non-controlling interests		454	–
Prepaid tax		230	240
Cash and bank balances		1,107,410	323,939
		3,800,766	2,471,597
Total assets		4,763,622	3,458,795
Capital and reserves			
Share capital		188,276	159,397
Reserves		3,290,792	2,762,686
Equity attributable to owners of the Company		3,479,068	2,922,083
Non-controlling interests		(427)	(426)
Total equity		3,478,641	2,921,657

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

At 30th June 2015

	<i>Notes</i>	At 30th June 2015 HK\$'000 (Unaudited)	At 31st December 2014 HK\$'000 (Audited)
Non-current liabilities			
Bank borrowings		850,000	–
Obligations under finance leases		699	819
Deferred tax liabilities		83,223	83,270
		<hr/> 933,922	<hr/> 84,089
Current liabilities			
Bank borrowings		133,308	315,819
Obligations under finance leases		243	247
Trade payables	16	36,095	39,136
Deposits received, accruals and other payables		181,388	97,528
Amounts due to joint ventures		25	25
Amounts due to non-controlling interests		–	294
		<hr/> 351,059	<hr/> 453,049
Total liabilities		<hr/> 1,284,981	<hr/> 537,138
Total equity and liabilities		<hr/> 4,763,622	<hr/> 3,458,795
Net current assets		<hr/> 3,449,707	<hr/> 2,018,548
Total assets less current liabilities		<hr/> 4,412,563	<hr/> 3,005,746

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in 2014 annual financial statement.

The Interim Financial Statements have been prepared on the historical cost basis except for certain property and 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and Interpretations (collectively referred to as the “new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial period beginning from 1st January 2015. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the new and revised HKFRSs has no significant effect on the Interim Financial Statements for the current or prior periods.

The Group has not adopted any new and revised HKFRSs that have been issued but not yet effective for the current accounting period.

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 (“CODM”), for the purposes of resource allocation and performance assessment between segments and that are used for strategic decision-making.

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

Particulars of the Group’s reportable segments for continuing and discontinued operations are summarised as follows:

Continuing operations

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

Discontinued operation for the six months ended 30th June 2014

Nam Pei Hong operations	–	Sales of Chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesalers and retailer as well as Chinese clinical services
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On 11th June 2014, the Group decided to dispose of its entire 50% equity interest in Ace Season Holdings Limited and its subsidiaries which engaged in Nam Pei Hong operations. Thus, Nam Pei Hong operations had classified as discontinued operation during the six months ended 30th June 2014.

On 20th November 2014, the Group acquired 100% equity interest in Ace Season Holdings Limited and its subsidiaries which engaged in Nam Pei Hong operations.

The segment information of discontinued operation is disclosed in note 10.

3. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

Continuing operations

	Segment revenue		Segment results	
	Six months ended 30th June 2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	Six months ended 30th June 2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Hotel and gaming service operations	467,444	597,992	56,621	128,149
Gaming promotion operations	2,388	2,464	1,349	(4,710)
Film related business operations	782	1,135	(2,129)	153
Property development operations	90	83	(921)	(1,714)
Nam Pei Hong operations	83,753	–	(549)	–
	<u>554,457</u>	<u>601,674</u>	<u>54,371</u>	<u>121,878</u>
Reconciliation from segment results to profit before tax from continuing operations				
Unallocated corporate income			34,922	9,101
Gain on disposal of subsidiaries			–	1,286
Gain arising on change in fair value of financial assets classified as held for trading investments			156,275	12,578
Share-based payment expenses			(51,986)	–
Unallocated corporate expenses			(25,102)	(28,104)
Profit before tax			<u>168,480</u>	<u>116,739</u>

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

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

3. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

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

	Revenue from external customers		Non-current assets	
	Six months ended		At 30th	At 31st
	30th June		June	December
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	84,305	669	185,708	176,715
Macau	469,980	600,456	777,147	810,482
Other than Hong Kong and Macau	172	549	1	1
	<u>554,457</u>	<u>601,674</u>	<u>962,856</u>	<u>987,198</u>

4. REVENUE

	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Hotel accommodation income	59,726	56,666
Food and beverage sales	18,614	19,244
Service income from mass market table gaming operations	361,351	465,637
Service income from VIP rooms table gaming operations	23,526	47,702
Service income from slot machines operations	4,227	8,743
Receive profit streams from gaming promotion business	2,388	2,464
Film distribution fee income	18	1,135
Artist management service income	764	–
Gross rental income	90	83
Sales of health products	83,753	–
	<u>554,457</u>	<u>601,674</u>

4. REVENUE (CONTINUED)

	For the period from 1st January 2014 to respective date of disposal of subsidiaries <i>HK\$'000</i> (Unaudited)
Six months ended 30th June 2015	
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)
Discontinued operation	
Sales of health products	79,510
	<u> </u>

5. OTHER REVENUE

	Six months ended 30th June 2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Continuing operations		
Loan interest income	34,652	8,086
Other interest income	1,173	1,473
Dividend income	3	–
Management fee income	490	280
Other ancillary hotel revenue	6,875	6,422
	<u> </u>	<u> </u>
	43,193	16,261
	<u> </u>	<u> </u>

	For the period from 1st January 2014 to respective date of disposal of subsidiaries <i>HK\$'000</i> (Unaudited)
Six months ended 30th June 2015	
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)
Discontinued operation	
Bank interest income	2
	<u> </u>

6. OTHER INCOME

	Six months ended 30th June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Net foreign exchange gain	1,360	–
Others	28	38
	<hr/>	<hr/>
	1,388	38
	<hr/> <hr/>	<hr/> <hr/>
		For the period from 1st January 2014 to respective date of disposal of subsidiaries
	Six months ended 30th June 2015	<i>HK\$'000</i> (Unaudited)
		<i>HK\$'000</i> (Unaudited)
Discontinued operation		
Others	–	2
	<hr/> <hr/>	<hr/> <hr/>

7. FINANCE COSTS

	Six months ended 30th June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Continuing operations		
Interest on:		
Bank borrowings wholly repayable:		
– within five years	2,489	5,944
– over five years	9,845	–
Finance leases	18	3
Imputed interest on convertible bonds	–	4,600
	12,352	10,547
	12,352	10,547
	Six months ended 30th June 2015 <i>HK\$'000</i> (Unaudited)	For the period from 1st January 2014 to respective date of disposal of subsidiaries <i>HK\$'000</i> (Unaudited)
Discontinued operation		
Interest on:		
Bank borrowings – wholly repayable within five years	–	157
	–	157

8. PROFIT BEFORE TAX

	Six months ended 30th June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Profit before tax has been arrived at after charging/(crediting):		
Amortisation of intangible assets	287	–
Amortisation of film rights (included in cost of sales)	–	246
Amortisation of interests in leasehold land	11,579	11,420
Cost of inventories sold (included in cost of sales)	59,749	7,157
Depreciation of property, plant and equipment	34,767	39,888
Employee benefit expenses (included directors' emoluments)	122,946	73,333
Gain on disposal of subsidiaries	–	(1,286)
Impairment loss recognised in respect of films in progress (included in other operating expenses)	–	40
Impairment loss recognised in respect of intangible assets (included in other operating expenses)	587	6,594
Loss on disposal of property, plant and equipment	22	5
Gain on fair value change of investment property (included in other operating expenses)	(110)	–
Net foreign exchange (gain)/loss	(1,360)	163
Operating lease rental in respect of premises	10,939	2,174
Share-based payment expenses in respect of consultancy services	15,059	–
(Gain)/loss arising on change in fair value of financial assets classified as held for trading investments	(178,171)	6,221
Loss/(gain) on disposal of financial assets classified as held for trading investments	21,896	(18,799)
Gross rental income from investment property	(90)	(83)
Less: Direct operating expenses incurred for investment property during the period	16	26
	(74)	(57)

8. PROFIT BEFORE TAX (CONTINUED)

	Six months ended 30th June 2015	For the period from 1st January 2014 to respective date of disposal of subsidiaries
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Discontinued operation		
Loss before tax has been arrived at after charging:		
Amortisation of intangible assets	–	543
Cost of inventories sold (included in cost of sales)	–	52,746
Depreciation of property, plant and equipment	–	697
Employee benefit expenses	–	8,196
Net foreign exchange loss	–	61
Operating lease rental in respect of premises	–	6,914
	<u>–</u>	<u>68,557</u>

9. INCOME TAX CREDIT

	Six months ended 30th June 2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Deferred tax:		
Current period	47	59
	<u>47</u>	<u>59</u>
		For the period from 1st January 2014 to respective date of disposal of subsidiaries
	Six months ended 30th June 2015	<i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Discontinued operation		
Deferred tax:		
Current period	–	90
	<u>–</u>	<u>90</u>

9. INCOME TAX CREDIT (CONTINUED)

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

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

No provision for Macau Complementary Tax has been made for both periods as the Group has no assessable profits arising in Macau.

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

10. DISCONTINUED OPERATION

Nam Pei Hong operations

On 11th June 2014, the Group entered into a sale and purchase agreement to dispose of the entire 50% equity interest in Ace Season Holdings Limited and its subsidiaries, which carried out the Nam Pei Hong operations. The disposal was completed on 11th June 2014, on which date the control of Nam Pei Hong operations passed to the acquirer.

The loss for the period from discontinued operation is analysed as follows:

	Six months ended 30th June 2015 HK\$'000 (Unaudited)	For the period from 1st January 2014 to respective date of disposal of subsidiaries HK\$'000 (Unaudited)
Profit of Nam Pei Hong operations for the period	–	6
Loss on disposal of Nam Pei Hong operations	–	(1,666)
	<hr/>	<hr/>
	–	(1,660)
	<hr/> <hr/>	<hr/> <hr/>

10. DISCONTINUED OPERATION (CONTINUED)

Nam Pei Hong operations (Continued)

The result of the Nam Pei Hong operations for the period from 1st January 2014 to respective date of disposal of subsidiaries, which have been included in the condensed consolidated income statement, were as follows:

		Six months ended 30th June 2015	For the period from 1st January 2014 to respective date of disposal of subsidiaries
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	–	79,510
Cost of sales		–	(56,464)
		<hr/>	<hr/>
Gross profit		–	23,046
Other revenue	5	–	2
Other income	6	–	2
Administrative expenses		–	(4,084)
Marketing, selling and distribution expenses		–	(18,893)
		<hr/>	<hr/>
Profit from operations		–	73
Finance costs	7	–	(157)
		<hr/>	<hr/>
Loss before tax	8	–	(84)
Income tax credit	9	–	90
		<hr/>	<hr/>
Profit for the period		–	6
		<hr/> <hr/>	<hr/> <hr/>

11. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

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

	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	168,528	114,790
	168,528	114,790
	Six months ended 30th June	
	2015	2014
	'000	'000
Numbers of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	16,301,249	11,165,013
Effect of dilutive potential ordinary shares:		
– Share options	462,398	–
	16,763,647	11,165,013
Weighted average number of ordinary shares for the purpose of diluted earnings per share	16,763,647	11,165,013

Pursuant to the deed polls of the bonus convertible bonds, the bonus convertible bonds will confer the holders with the same economic interests attached to the shareholders of the Company. Accordingly, 26,507,961 (30th June 2014: 26,507,961) fully paid ordinary share of HK\$0.01 each which shall be convertible from an aggregated amount of approximately HK\$265,000 (30th June 2014: HK\$265,000) outstanding bonus convertible bonds are included in the weighted average number of ordinary shares for calculating the basic earnings per share for the six months ended 30th June 2015 and 30th June 2014.

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic earnings per share calculation for the period ended 30th June 2014, the exercise of the above potential dilutive shares is not assumed in the calculation of diluted earnings per share for the six months ended 30th June 2014.

11. EARNINGS/(LOSS) PER SHARE (CONTINUED)

From continuing operations

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

	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	168,528	116,450

The denominators used are same as those described above for calculation of both basic and diluted earnings per share from continuing operations in both periods.

From discontinued operation

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

	Six months ended 30th June 2015	For the period
		from 1st January 2014 to respective date of disposal of subsidiaries
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share (loss attributable to owners of the Company)	–	(1,660)

The denominators used are same as those described above for calculation of both basic and diluted loss per share from discontinued operation in both periods.

12. DIVIDEND

No interim dividend was paid or proposed during the six months ended 30th June 2015 and 30th June 2014, nor any dividend been proposed by the Board subsequent to the end of the reporting period.

13. TRADE RECEIVABLES

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

	At 30th June 2015 HK\$'000 (Unaudited)	At 31st December 2014 HK\$'000 (Audited)
0 to 30 days	180,841	112,716
31 to 60 days	443	889
61 to 90 days	41	92
Over 90 days	1,700	1,939
	<u>183,025</u>	<u>115,636</u>

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

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

At 31st December 2014, the amount included deposit paid for investment of HK\$600,000,000 which represented the cash deposit paid by the Group in respect of acquisition of the entire equity interest of Protective Capital Group Limited pursuant to a conditional sale and purchase agreement (the "Acquisition").

On 22nd May 2015, the Group entered into a deed of termination to terminate the Acquisition (the "Termination"). Deposit paid for investment had been refunded to the Group upon Termination. Details of the Termination are set out in the Company's announcement dated on 22nd May 2015.

15. HELD FOR TRADING INVESTMENTS

	At 30th June 2015 HK\$'000 (Unaudited)	At 31st December 2014 HK\$'000 (Audited)
Listed securities:		
– Equity securities listed in Hong Kong, at fair value	<u>362,766</u>	<u>36,332</u>

The fair value of the Group's equity securities listed in Hong Kong held at 30th June 2015 were approximately HK\$259,837,000 at the date of approval of Interim Financial Statements.

16. TRADE PAYABLES

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

	At 30th June 2015 HK\$'000 (Unaudited)	At 31st December 2014 HK\$'000 (Audited)
0 to 30 days	10,356	13,331
31 to 60 days	3,119	3,438
61 to 90 days	92	164
Over 90 days	22,528	22,203
	<hr/> 36,095 <hr/>	<hr/> 39,136 <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30th June 2015, the Group recorded a turnover of approximately HK\$554,457,000 representing a decrease of 8% as compared to HK\$601,674,000 for the last corresponding period.

Profit for the period amounted to approximately HK\$168,527,000 representing an increase of 46% as compared to HK\$115,138,000 for the last corresponding period. Such increase is mainly attributable to (i) substantial increase in unrealised gain arising on change in fair value of financial assets classified as held for trading investments of approximately HK\$178,171,000 from loss of HK\$6,221,000 for the last corresponding period which represented the increase in market values of the Group's equity securities listed in Hong Kong as at 30th June 2015 and (ii) increase in other revenue to approximately HK\$43,193,000 from HK\$16,261,000 for the last corresponding period which mainly included increase in loan interest income. The effect of such increase is partially offset by (1) approximately 18% decrease in the figure of gross profit to approximately HK\$263,786,000 from HK\$320,456,000 for the last corresponding period; (2) the occur of share-based payment expenses of approximately HK\$51,986,000 related to share options granted in this period and (3) the realised loss on disposal on financial assets classified as held for trading of approximately HK\$21,896,000 from gain of HK\$18,799,000 for the last corresponding period.

Profit attributable to owners of the Company for the six months ended 30th June 2015 amounted to HK\$168,528,000 representing an increase of 47% as compared to HK\$114,790,000 for the last corresponding period.

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2015 (2014: nil).

BUSINESS REVIEW

The Group has five reportable segments – (1) hotel and gaming service operations; (2) gaming promotion operations; (3) film related business operations; (4) property development operations; and (5) Nam Pei Hong operations. Nam Pei Hong operations were recorded as discontinued operation in the interim report for the six months ended 30th June 2014 as the Group had disposed of all its 50% equity interest in the subsidiaries engaged in Nam Pei Hong operations on 11th June 2014. In this period, Nam Pei Hong operations are recorded as continuing reportable segments as the Group had acquired 100% equity interest in the subsidiaries engaged in Nam Pei Hong operations on 20th November 2014. Details of these transactions are set out in the section headed “Nam Pei Hong Operations”.

Of the total turnover amount for the period, HK\$467,444,000 or 84% was generated from hotel and gaming service operations, HK\$2,388,000 or 1% was generated from gaming promotion operations, HK\$782,000 or 0% was generated from film related business operations, HK\$90,000 or 0% was generated from property development operations and HK\$83,753,000 or 15% was generated from Nam Pei Hong operations.

Hotel and Gaming Service Operations

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

Casino LKF is run by license holder Sociedade de Jogos de Macau, S.A. (“SJM”). Classic has entered into service and site license agreements with SJM. Under the agreements, Classic has granted to SJM a right to occupy and use spaces in Lan Kwai Fong to operate Casino LKF and Classic is responsible for the provision of marketing, promotion, publicity, customer development and introduction, co-ordination of activities and other services as agreed between Classic and SJM from time to time in Casino LKF. In return, Classic will shared a fixed percentage of service income from SJM based on the monthly gross gaming wins of the mass market and VIP table gaming and slot machines in Casino LKF. Casino LKF operates a total of 84 gaming tables, targeting both for the VIP rooms table gaming and the mass market table gaming. It also operates a total of 108 slot machines.

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

The Group had shared revenue and segment profit of approximately HK\$467,444,000 (2014: HK\$597,992,000) and HK\$56,621,000 (2014: HK\$128,149,000) from the hotel and gaming service operations, decrease of 22% and 56% respectively. Revenue in the hotel and gaming service operations mainly comprised of hotel accommodation income of HK\$59,726,000 (2014: HK\$56,666,000), food and beverage sales of HK\$18,614,000 (2014: HK\$19,244,000), services income received from (i) mass market table gaming of approximately HK\$361,351,000 (2014: HK\$465,637,000) representing a decrease of 22%, (ii) VIP rooms table gaming of HK\$23,526,000 (2014: HK\$47,702,000) representing a decrease of 51% and (iii) slot machines of HK\$4,227,000 (2014: HK\$8,743,000) representing a decrease of 52%. During the period, the average monthly revenue from (i) mass market table gaming of approximately HK\$60,225,000 (2014: HK\$77,606,000) and (ii) VIP rooms table gaming of HK\$3,921,000 (2014: HK\$7,950,000). Besides, the occupancy rate of Hotel LKF during the period was about 99%.

Mass market table gaming operations are more profitable than VIP rooms table gaming operations and thus Casino LKF had spent resources to expand its market share in the mass market table gaming operations and targeted the high end customers in the mass market table gaming in years before. For the six months ended 30th June 2015, the total casino revenue gross win in Macau market was approximately MOP121.6 billion, decreased by 37% from last corresponding period. The scale of drop in revenue from mass market table gaming was much less than the VIP rooms table gaming in this downturn period and this proved our moves are on the right side.

Gaming Promotion Operations

The Group had shared revenue and segment profit of approximately HK\$2,388,000 (2014: HK\$2,464,000) and HK\$1,349,000 (2014: loss of HK\$4,710,000) from the gaming promotion operations, a decrease of 3% and an increase of 129% respectively.

Since years before, the revenue in sharing of profit streams from investments in the profit receiving company, Ocho Sociedade Unipessoal Limitada (“Ocho”), one of the gaming promoters at one of the VIP rooms at the Grand Lisboa Casino in Macau had apparently decreased. One of the characteristic of the VIP rooms gaming is that the majority of the business volume is highly volatile. Ocho had lost its competitive advantage as it cannot offer a better than market commission to its quality sub-junkets or customers as they were attracted by other large and well equipped new hotels and casinos in Macau. The decrease in revenue sharing also impact and decrease the expected cash inflow from this operation and thus impairment loss in respect of the intangible assets of HK\$587,000 (2014: HK\$6,594,000) was recognised. This impairment amount was based on the recoverable amount of intangible asset by reference to the valuation report issued by a firm of independent qualified professional valuers using discounted cash flow method each period. The increase in segment profit was due to decrease in impairment loss recognised in this period.

Film Related Business Operations

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

In the first half of the year 2015, revenue from film related business operations amounted to HK\$782,000 (2014: HK\$1,135,000) and its segment loss amounted to HK\$2,129,000 (2014: profit of HK\$153,000). During the six months ended 30th June 2015, the Group did not distributed any new film. The new production of the Group, “League of Gods” has completed shooting in June 2015 and is in its post production period and will planned to be on screen in the beginning of year 2016.

Property Development Operations

Property development operations included investing and development of properties in Macau and Hong Kong. Development of properties in Macau represented properties located in Lot 6B, Lot 6C, Lot 6D and Lot 6E at Zona de Aterros do Porto Exterior (ZAPE) (the “Sites”). The Sites will be developed into a multi-storey commercial units and residential apartments for sale. The development plan of the Sites is in the process of seeking approval from the relevant authority.

On 21st November 2014, the Group entered into a legally binding letter of intent for the Proposed Disposal (as defined below) of the entire equity interest of Triumph Top Limited, a wholly owned subsidiary of the Company which indirectly hold the property leasehold right over the Sites and a sale loan amounted to approximately HK\$573,876,000 at an initial consideration of HK\$2,230,000,000 less accruals and other liabilities at completion and a bonus consideration based on the total permissible construction floor area on the Sites. On 25th March 2015, the Company entered into the Deed (as defined below) to terminate the Disposal Agreement (as defined below). The Company has decided to develop the Sites itself which is expected to capture more profit than the Proposed Disposal.

The Group is considering the usage of properties located at 1st Floor and the Ground Floor and its Cockloft of Nos. 20, 22 and 24 Mercer Street, Kam Tak Building, Hong Kong. The property located at the 4th Floor of Nos. 1 and 3 Mercer Street, Hong Kong is rent out for investment purpose.

In the first half of the year 2015, revenue for property development operations amounted to HK\$90,000 (2014: HK\$83,000) and its segment loss amounted to approximately HK\$921,000 (2014: HK\$1,714,000).

Nam Pei Hong Operations

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

On 11th June 2014, due to the difference in business perspectives among the Group and the other investors, the operational efficiency and performance of Nam Pei Hong operations fell short of the expectation of the Group, and the Group decided to dispose of all its 50% equity interest in the subsidiaries engaged in Nam Pei Hong operations.

On 20th November 2014, the Group acquired 100% equity interest in the subsidiaries engaged in Nam Pei Hong operations as the former purchaser had informed the Group that it was unable to pay balance of the consideration and it is willing to dispose of its entire equity interests to the Group for the same consideration. Given that (a) upon completion of the acquisition, the Group would have full control on the management and operation of Nam Pei Hong operations; (b) by having full control, the Group can then have greater flexibility to introduce new expansion plans for Nam Pei Hong operations which is believed to be beneficial for the future growth and development of Nam Pei Hong operations in the long run; and (c) in view of the increasing awareness in health and the aging population in Hong Kong, the prospects of the sales of Chinese health products business is positive, it is expected that, the performance of Nam Pei Hong operations can be improved with better operational efficiency and effective cost control measures. As such, the directors consider that the acquisition will enable the Group to re-enter into the sales of Chinese health products business, so as to diversify the business portfolio of the Group and to broaden the Group's source of income, and to enhance potential positive contribution to the Group. During the period, the retail shops of Nam Pei Hong increase from 10 to 12.

In the first half of the year 2015, the Group had shared revenue of approximately HK\$83,753,000 and segment loss of approximately HK\$549,000. For the six months ended 30th June 2014, Nam Pei Hong operations were treated as discontinued operation and the Group had shared revenue of approximately HK\$79,510,000 and profit for the period of approximately HK\$6,000.

Geographical segments

For the geographical segments, revenue of HK\$84,305,000 or 15% (2014: HK\$669,000 or 0%) was sourced from Hong Kong, HK\$469,980,000 or 85% (2014: HK\$600,456,000 or 100%) was sourced from Macau and HK\$172,000 or 0% (2014: HK\$549,000 or 0%) was sourced from other territories, of which revenue from hotel and gaming service operations and gaming promotion operations are mainly sourced from Macau and revenue from Nam Pei Hong operations are mainly sourced from Hong Kong.

Administrative Expenses

For the six months ended 30th June 2015, administrative expenses of HK\$187,043,000 (2014: HK\$194,465,000), representing a 4% decrease. The decrease was mainly attributable to the decrease in amortisation of interests in leasehold land and depreciation on property, plant and equipment and casino management fees paid by Casino LKF during the period. Such management fees decreased because it was based on a fixed percentage of service income from VIP rooms table gaming that had decreased by 51% from the last corresponding period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2015, the Group had total assets of approximately HK\$4,763,622,000 and a net current assets of HK\$3,449,707,000, representing a current ratio of 10.8 (31st December 2014: 5.5). The Group had cash and bank balances of approximately HK\$1,107,410,000 (31st December 2014: HK\$323,939,000). As at 30th June 2015, the Group had total borrowings of HK\$984,250,000 which comprised a secured bank term loan with remaining balance of HK\$970,000,000 (the "Term Loan"), unsecured bank loans in aggregate amount of HK\$13,308,000 and obligations under finance leases of HK\$942,000.

The Term Loan was secured by the Group's leasehold land and buildings with carrying amount of HK\$594,538,000, interest bearing at 1.75% per annum below the Hong Kong Prime rate quoted by the bank and repayable by remaining of 30 equal consecutive quarterly instalments of HK\$30,000,000 each and a final repayment for the remaining balance of HK\$70,000,000. The unsecured bank loans comprised import trade loans (the "Import Loan") of HK\$12,628,000 and a unsecured bank loan of HK\$680,000 (the "Government Loan") granted under the Special Loan Guarantee Scheme of the Government of Hong Kong Special Administrative Region ("HKSAR"). The Import loan was interest bearing at 2% per annum over one month HIBOR, repayable on demand and guaranteed by an ex-shareholder of a subsidiary of the Company. The Government Loan was interest bearing at 2.5% per annum over one month HIBOR and repayable by remaining of 4 monthly instalments. The Government Loan was 80% guaranteed by the Government of HKSAR and 100% jointly guaranteed by the Company and an ex-shareholder of a subsidiary of the Company.

As at 30th June 2015, the Group had banking facilities amounting to HK\$1,072,000,000 which were utilised to the extent of HK\$1,018,628,000. The Group's gearing was acceptable during the period with total debts of HK\$984,250,000 against owners' equity of HK\$3,479,068,000. This represents a gearing ratio, calculated in the basis of the Group's total borrowings over owners' equity of 28% (31st December 2014: 11%).

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong Dollar, Macau Pataca, United States Dollar and Renminbi, the exposure to fluctuation in exchange rates was considered to be minimal and no hedge activity were considered necessary. As at 30th June 2015, the Group had no material contingent liability.

As at 30th June 2015, capital expenditure commitments by the Group amounted to approximately HK\$29,685,000, which comprised HK\$29,398,000 as professional fees for the preparation of the development plan of the Sites and HK\$287,000 as purchase of property, plant and equipment.

As at 31st December 2013, the Company and Eternity Investment Limited entered into a supplemental agreement pursuant to which both parties agreed to extend the completion date of the second tranche subscription for convertible bonds in the principal amount of HK\$300 million from 31st December 2013 further extend to 31st December 2015.

The net proceeds from the issue and allotment of 1,500,000,000 new shares at a subscription price of HK\$0.09 on 14th November 2014 of approximately HK\$134.30 million which were intended to be used for the production of new film and general working capital of the Group. As at 31st December 2014, approximately HK\$36 million were used in film production as intended and the remaining balance of approximately HK\$98.30 million was unused. As at 30th June 2015, the remaining balance of net proceeds was used in film production as intended.

On 11th May 2015, a second loan agreement was entered into between Classic Champion Holdings Limited ("Classic Champion") as lender and the junket company I as borrower pursuant to which Classic Champion has conditionally agreed to grant the junket company I an additional loan of HK\$75 million ("Loan I") for a term of 24 months from the date of drawdown at the interest rate of 12% per annum in addition to the loan agreement dated 4th April 2014 and the first loan drawn on 8th April 2014 by the junket company I. On the same date, another second loan agreement was entered into between Classic Champion as lender and the junket company II as borrower pursuant to which Classic Champion has conditionally agreed to grant the junket company II an additional loan of HK\$75 million ("Loan II") for a term of 24 months from the date of drawdown at the interest rate of 12% per annum in addition to the loan agreement dated 17th April 2014 and the first loan drawn on 28th April 2014 by the junket company II. On the same date, an other second loan agreement was entered into between Classic Champion as lender and the junket company III as borrower pursuant to which Classic Champion has conditionally agreed to grant the junket company III an additional loan of HK\$75 million ("Loan III") for a term of 24 months from the date of drawdown at the interest rate of 12% per annum in addition to the loan agreement dated 17th July 2014 and the first loan drawn on 21st July 2014 and 29th September 2014 respectively by the junket company III. Loan I, Loan II and Loan III were drawn on 19th May 2015 and the Group considers the loans can provide stable interest income to the Group.

On 1st June 2015, Heung Wah Keung Family Endowment Limited (“HWKFE”), the Company and a placing agent entered into a placing and subscription agreement pursuant to which HWKFE agreed to place, through the placing agent on a best effort basis, up to an aggregate of 2,887,900,000 existing shares of HK\$0.01 each (nominal value being HK\$28,879,000) to not fewer than six independent investors at a price of HK\$0.12 per share and HWKFE has conditionally agreed to subscribe for up to an aggregate of 2,887,900,000 new shares at a price of HK\$0.12 per new share. The closing price per share was HK\$0.13 as at 1st June 2015 and the net price per new share was approximately HK\$0.116. The placing and subscription was completed on 9th June 2015 upon HWKFE placed 2,887,900,000 shares to independent investors on 4th June 2015 and the Company allotted and issued 2,887,900,000 new shares of HK\$0.01 each at a price of HK\$0.12 per share under the general mandate obtained at the annual general meeting of the Company held on 26th June 2014 to HWKFE on 9th June 2015 respectively. The net proceeds of approximately HK\$336.27 million were intended to be used for film production and/or general working capital purpose. As at 30th June 2015, approximately HK\$24 million were used in film production as intended and the remaining net proceeds were unused.

On 10th June 2015, a loan agreement was entered into between Classic Champion as lender and an individual (the “Borrower”) as borrower pursuant to which Classic Champion has conditionally agreed to grant the Borrower the loan of HK\$275 million (the “Loan IV”) for a term of 24 months from the date of first drawdown at the interest rate of 12% per annum. The Loan IV was drawn on 12th June 2015 and was financed by the internal resources of the Group.

During the period, 1,443,000,000 share options were granted on 4th May 2015 and 77,104 share options were expired on 3rd February 2015. No share options of the Company were exercised, lapsed or cancelled.

MATERIAL ACQUISITIONS AND DISPOSALS

Termination of the Proposed Acquisition of Protective Capital Group Limited

On 25th February 2014, Classic Champion and Mr. Kam Lap Sing, Kelvin, an independent third party of the Company (the “Vendor”) entered into a conditional sale and purchase agreement (the “Agreement”), pursuant to which Classic Champion has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the entire issued share capital of Protective Capital Group Limited (“Protective”) and a sale loan (amounted to HK\$20 million at date of Agreement) owned by Eight Elements Entertainment Limited (“Eight Elements”) upon completion for aggregate consideration of HK\$800 million (the Proposed Acquisition”). The major assets of Protective is its entitlement to the economic benefits of Eight Elements. Eight Elements is a company incorporated in Macau with limited liability and carrying on gaming promoter operations (being activities undertaken to promote casino games by way of offering transportation, accommodation, food and beverage and entertainment) in exchange for a commission or other compensation paid by the gaming concessionaire in respect of the casino premises of Casino LKF and related businesses in Macau. Particulars of the Proposed Acquisition are disclosed in the announcement of the Company dated 25th February 2014. The Proposed Acquisition constituted a major transaction of the Company pursuant to the Listing Rules and is subject to the approval of the shareholders of the Company. Total deposits of HK\$600 million were paid on 25th February 2014 and 24th April 2014.

On 22nd May 2015, the parties to the Agreement entered into a deed of termination, pursuant to which, the parties mutually irrevocably and unconditionally agreed that, on and with effect from 22nd May 2015, the Agreement shall terminate and cease to have any effect. The Vendor has refunded the deposits to Classic Champion without interest in accordance with the terms of the Agreement.

Termination of the Proposed Disposal of Triumph Top Limited

On 21st November 2014, the Group entered into a legally binding letter of intent for the proposed disposal (the “Proposed Disposal”) of the entire equity interest of Triumph Top Limited (the “Target Company”) and a sale loan amounted to approximately HK\$573,876,000 at an initial consideration of HK\$2,230,000,000 less accruals and other liabilities at completion and a bonus consideration based on the total permissible construction floor area on the Sites. China Star Creative Development Limited, an indirect wholly-owned subsidiary of the Target Company, owns the property leasehold right granted by the Macau Government over the Sites. On 12th December 2014, the parties have entered into formal conditional agreement (the “Disposal Agreement”). Please refer to the Company’s announcement dated 21st November 2014 and 12th December 2014 for details of the Proposed Disposal. The Proposed Disposal constituted a very substantial disposal transaction of the Company under the Listing Rules.

On 25th March 2015, the Company announced that the parties to the Disposal Agreement entered into a deed of termination (the “Deed”), pursuant to which, the parties to the Disposal Agreement mutually irrevocably and unconditionally agreed that the Proposed Disposal be terminated and cease to have any effect. The reason for the termination of the Disposal Agreement is the anticipated inability to fulfill one of the conditions precedent of the Disposal Agreement. The Company considers that the termination of the Proposed Disposal would not have any material adverse effect on the existing financial position or business operation of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2015, the Group employed 786 staff (2014: 707 staff) with employee benefit expenses of HK\$122,946,000 (2014: HK\$81,529,000, of which HK\$73,333,000 from continuing operations and HK\$8,196,000 from discontinued operation) which included approximately HK\$36,927,000 share-based payment expenses related to share options granted to employees of the Group. 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

Since opening up gaming licensing in 2001, Macau's gaming revenue saw its first slowdown revenue in 2014 and the downturn continued in the first half of 2015. During the first half of 2015, Macau's gaming revenue were MOP121,645 million, decreased by 37% from the same period in the previous year. Hotel and gaming service operations in Lan Kwai Fong is unavoidable influence by the market trend of Macau gaming industry. In fact, being a moderate size hotel, we can response faster to the changing market conditions by implementation of more stringent cost control measure and more marketing plan during this adverse period. Given the effective monitoring of these measures, Lan Kwai Fong is expected to enhance its profitability in the near future.

During this period, the Group decided to develop the Sites itself. Given the superb location of the Sites, the current condition of the Macau properties market and the Group's solid experience in renovation of Lan Kwai Fong, the Group is confident in development of the Sites.

Recent figures had reviewed that total retail sales in Hong Kong had reduced. In the meantime, since number of visitor arrivals also showed downward trend, the future of local retail market was not clear. Since our acquisition of Nam Pei Hong, the impression and goodwill of Nam Pei Hong has gradually increased in these dates and the revenue from Nam Pei Hong operations have achieve steady growth during this period. We envision that the retailing market of the Chinese health products would face much keen competition in the near future but also are an enormous potential market for growth, both in China and Hong Kong in years to come. Therefore, the Group is optimistic on the future development of the Nam Pei Hong operations.

The Group will continue its furtherance and development of its already well established film production business and will allocate more resources to film production. Our new film "League of Gods 封神傳奇" has gaining the attention of the public in term of its casting and investment. The film had completed shooting in June 2015 and will tentatively plan to be on screen in the beginning of year 2016. The Group is preparing for another new production in the second half of the year 2015 and will plan well before engaged in any new production.

Looking forward, the Group will continue to strive to achieve healthy and stable growth by enhancing profitability, maximize its investment return and diversify its business when suitable opportunity arises. The Group is well prepared for its future development with its strong financial position at 30th June 2015.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is responsible for ensuring high standard of corporate governance are maintained and for accounting to shareholders. The Company has applied the principles and complied with all the applicable code provisions laid down in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “Code”) during the period from 1st January 2015 to 30th June 2015, 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.

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 2015. The Model Code also applies to other specified senior management of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30th June 2015.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company as at 30th June 2015 was comprising 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 main function of the Audit Committee is to assist the Board to oversee the financial reporting system, risk management and internal control procedures and the internal and external audit functions. The Audit Committee annually assesses the appointment of the external auditor, taking into account the quality and rigor of the audit, the quality of the audit service provided, the audit firm’s quality control procedures, relationships between the external auditors and the Company, and the independence of the external auditors.

The unaudited condensed consolidated interim financial statements for the six months ended 30th June 2015 have been reviewed by the audit committee of the Company and the Company’s independent auditors.

PUBLICATION OF INTERIM REPORT

The Company's 2015 interim report will be despatched to the shareholders of the Company on or before 30th September 2015 and will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company's website (www.chinastar.com.hk or www.irasia.com/listco/hk/chinastar).

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

Hong Kong, 27th August 2015

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.