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## **CHINA STAR ENTERTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 326)**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2015**

#### **FINAL RESULTS**

The board of directors (the “Board”) of China Star Entertainment Limited (the “Company”) presents the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2015 as follows:

#### **CONSOLIDATED INCOME STATEMENT**

*For the year ended 31st December 2015*

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Revenue</b>	5	<b>1,044,506</b>	1,283,597
Cost of sales		<b>(581,784)</b>	(633,455)
		<hr/>	<hr/>
Gross profit		<b>462,722</b>	650,142
Other revenue	6	<b>108,382</b>	50,889
Other income	7	<b>915</b>	3,279
Administrative expenses		<b>(383,065)</b>	(397,562)
Marketing, selling and distribution expenses		<b>(85,515)</b>	(69,938)
Gain arising on change in fair value of financial assets classified as held for trading investments		<b>99,638</b>	8,110
Other operating expenses		<b>(66,186)</b>	(18,200)
		<hr/>	<hr/>

**CONSOLIDATED INCOME STATEMENT (CONTINUED)***For the year ended 31st December 2015*

	<i>Notes</i>	<b>2015</b> <b><i>HK\$'000</i></b>	2014 <i>HK\$'000</i>
<b>Profit from operations</b>		<b>136,891</b>	226,720
Finance costs	8	<b>(29,314)</b>	(16,339)
Share of results of joint ventures		<b>138</b>	(530)
		<hr/>	<hr/>
<b>Profit before tax</b>	9	<b>107,715</b>	209,851
Income tax credit	10	<b>149</b>	160
		<hr/>	<hr/>
<b>Profit for the year</b>		<b>107,864</b>	210,011
		<hr/> <hr/>	<hr/> <hr/>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>107,871</b>	209,665
Non-controlling interests		<b>(7)</b>	346
		<hr/>	<hr/>
		<b>107,864</b>	210,011
		<hr/> <hr/>	<hr/> <hr/>
		<b>2015</b>	2014
		<b><i>HK cents</i></b>	<i>HK cents</i>
			(restated)
<b>Earnings per share</b>			
Basic	12	<b>15.25</b>	40.25
		<hr/> <hr/>	<hr/> <hr/>
Diluted	12	<b>14.31</b>	40.25
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Profit for the year</b>	<u>107,864</u>	<u>210,011</u>
<b>Other comprehensive income/(loss)</b>		
<i>Items that will not reclassified to profit or loss:</i>		
Gain on revaluation of property	48,171	–
<i>Items that may be reclassified subsequently to consolidated income statement:</i>		
<i>Exchange differences arising on translation of foreign operations:</i>		
Exchange differences arising during the year	(103)	(71)
Reclassification adjustments relating to foreign operations disposed of during the year	<u>–</u>	<u>(79)</u>
<b>Other comprehensive income/(loss) for the year</b>	<u>48,068</u>	<u>(150)</u>
<b>Total comprehensive income for the year</b>	<u><u>155,932</u></u>	<u><u>209,861</u></u>
<b>Total comprehensive income for the year attributable to:</b>		
Owners of the Company	155,939	209,495
Non-controlling interests	<u>(7)</u>	<u>366</u>
	<u><u>155,932</u></u>	<u><u>209,861</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31st December 2015*

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>426,633</b>	513,929
Interests in leasehold land		<b>418,455</b>	441,613
Investment properties		<b>116,060</b>	6,190
Goodwill		–	–
Intangible assets		<b>17,911</b>	25,353
Interests in joint ventures		<b>251</b>	113
		<hr/> <b>979,310</b> <hr/>	<hr/> 987,198 <hr/>
<b>Current assets</b>			
Inventories		<b>70,209</b>	73,073
Stock of properties		<b>567,973</b>	566,363
Film rights		<b>12,545</b>	14,591
Films in progress		<b>380,606</b>	79,390
Investment in film		<b>11,325</b>	–
Trade receivables	13	<b>119,427</b>	115,636
Deposits, prepayment and other receivables	14	<b>67,068</b>	662,033
Held for trading investments		<b>305,812</b>	36,332
Loan receivables	15	<b>1,225,000</b>	600,000
Amounts due from non-controlling interests		<b>329</b>	–
Amount due from a joint venture		<b>12</b>	–
Prepaid tax		<b>153</b>	240
Cash and bank balances		<b>1,051,692</b>	323,939
		<hr/> <b>3,812,151</b> <hr/>	<hr/> 2,471,597 <hr/>
<b>Total assets</b>		<hr/> <b>4,791,461</b> <hr/>	<hr/> 3,458,795 <hr/>
<b>Capital and reserves</b>			
Share capital		<b>7,531</b>	159,397
Reserves		<b>3,458,659</b>	2,762,686
		<hr/> <b>3,466,190</b> <hr/>	<hr/> 2,922,083 <hr/>
<b>Equity attributable to owners of the Company</b>		<hr/> <b>3,466,190</b> <hr/>	<hr/> 2,922,083 <hr/>
Non-controlling interests		<hr/> <b>(433)</b> <hr/>	<hr/> (426) <hr/>
<b>Total equity</b>		<hr/> <b>3,465,757</b> <hr/>	<hr/> 2,921,657 <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31st December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Non-current liabilities</b>			
Bank borrowings		790,000	–
Obligations under finance leases		584	819
Convertible bonds		–	–
Deferred tax liabilities		82,948	83,270
		<u>873,532</u>	<u>84,089</u>
<b>Current liabilities</b>			
Bank borrowings		134,928	315,819
Obligations under finance leases		235	247
Trade payables	16	39,648	39,136
Deposits received, accruals and other payables		277,336	97,528
Amounts due to joint ventures		25	25
Amounts due to non-controlling interests		–	294
		<u>452,172</u>	<u>453,049</u>
<b>Total liabilities</b>		<u>1,325,704</u>	<u>537,138</u>
<b>Total equity and liabilities</b>		<u>4,791,461</u>	<u>3,458,795</u>
<b>Net current assets</b>		<u>3,359,979</u>	<u>2,018,548</u>
<b>Total assets less current liabilities</b>		<u>4,339,289</u>	<u>3,005,746</u>

## NOTES:

### 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong respectively.

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

The principal activities of the Group are film production, distribution of films and television drama series, investment in film, provision of artist management services, sales of health products, investing in operations which receive profit streams from the gaming promotion business, property and hotel investment, food and beverage operations and property development.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### (a) Application of new and revised HKFRSs – effective 1st January 2015

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning from 1st January 2015. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

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

#### ***Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions***

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on the Group’s financial statements as the Group does not have any defined benefit plans.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### (a) Application of new and revised HKFRSs – effective 1st January 2015 (Continued)

#### Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24 *Related Party Disclosures* has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

### (b) New and revised HKFRSs that have been issued but are not yet effective

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

HKAS 1 (Amendments)	Disclosure Initiative <sup>1</sup>
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants <sup>1</sup>
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>1</sup>
HKFRS 9	Financial Instrument <sup>3</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
HKFRS11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2016, with earlier application permitted.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1st January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1st January 2018, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### (b) New and revised HKFRSs that have been issued but are not yet effective (Continued)

#### **Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to HKAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 *Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1st January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group’s financial statements.

#### **HKFRS 9 *Financial Instruments***

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirement of HKFRS 9 are described below:

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



## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### (b) New and revised HKFRSs that have been issued but are not yet effective (Continued)

#### **HKFRS 9 *Financial Instruments* (Continued)**

- with regard to the measurement of financial liabilities designated at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in consolidated income statement. Changes in the fair value attributable to a financial liability’s credit risk are not subsequently reclassified to consolidated income statement. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated at fair value through profit or loss is presented in consolidated income statement.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

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

#### **HKFRS 15 *Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### (b) New and revised HKFRSs that have been issued but are not yet effective (Continued) HKFRS 15 *Revenue from Contracts with Customers* (Continued)

- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except disclosed above, the directors do not anticipated that the application of other new and revised HKFRSs will have a material impact on the financial statements.

## 3. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) (“new CO”) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31st December 2015. Further, the disclosure of information in these financial statements for the financial year ended 31st December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31st December 2014 are presented or disclosed in the financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Companies Ordinance or Listing Rules but not under new CO or amended Listing Rules are not disclosed in these financial statements.

#### 4. SEGMENT INFORMATION

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

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

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

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

Hotel and gaming service operations	–	Provision of hotel services, food and beverage operation services, gaming operation services and related gaming promotion business in Hotel Lan Kwai Fong Macau
Gaming promotion operations	–	Investing in operations which receive profit streams from the gaming promotion business
Film related business operations	–	Production and distribution of films and television drama series, investment in film 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

#### 4. SEGMENT INFORMATION (CONTINUED)

Segment information about these businesses is presented as below:

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

	Segment revenue		Segment results	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hotel and gaming service operations	877,909	1,169,474	62,279	236,528
Gaming promotion operations	4,748	4,740	2,947	(9,629)
Film related business operations	1,217	2,267	(4,959)	(3,702)
Property development operations	180	173	(6,439)	(2,732)
Nam Pei Hong operations	160,452	106,943	(8,519)	361
	<u>1,044,506</u>	<u>1,283,597</u>	<u>45,309</u>	<u>220,826</u>
Reconciliation from segment results to profit before tax				
Unallocated corporate income			94,692	39,342
Gain arising on change in fair value of financial assets classified as held for trading investments			99,638	8,110
Share of results of joint ventures			138	(530)
Unallocated corporate expenses			(132,062)	(57,897)
Profit before tax			<u>107,715</u>	<u>209,851</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014: nil).

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

#### 4. SEGMENT INFORMATION (CONTINUED)

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>ASSETS</b>		
<i>Segment assets</i>		
– Hotel and gaming service operations	1,033,596	1,097,046
– Gaming promotion operations	10,689	91,594
– Film related business operations	490,374	104,282
– Property development operations	700,675	658,580
– Nam Pei Hong operations	117,436	123,026
	<hr/>	<hr/>
Total segment assets	2,352,770	2,074,528
Unallocated assets	2,438,691	1,384,267
	<hr/>	<hr/>
	<b>4,791,461</b>	<b>3,458,795</b>
	<hr/> <hr/>	<hr/> <hr/>
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>LIABILITIES</b>		
<i>Segment liabilities</i>		
– Hotel and gaming service operations	89,810	388,210
– Gaming promotion operations	5	5
– Film related business operations	193,911	16,016
– Property development operations	2,700	2,952
– Nam Pei Hong operations	30,350	27,537
	<hr/>	<hr/>
Total segment liabilities	316,776	434,720
Unallocated liabilities	1,008,928	102,418
	<hr/>	<hr/>
	<b>1,325,704</b>	<b>537,138</b>
	<hr/> <hr/>	<hr/> <hr/>

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

- all assets are allocated to reportable segments, other than interests in joint ventures, partial deposits, prepayment and other receivables, held for trading investments, loan receivables, amounts due from non-controlling interests, amount due from a joint venture, prepaid tax, partial cash and bank balances, partial property, plant and equipment and interests in leasehold land for central administrative purposes; and
- all liabilities are allocated to reportable segments, other than partial obligations under finance leases, partial deposits received, accruals and other payables, deferred tax liabilities, amounts due to joint ventures and amounts due to non-controlling interests.

#### 4. SEGMENT INFORMATION (CONTINUED)

##### (c) Other segment information

	Hotel and gaming service operations		Gaming promotion operations		Film related business operations		Property development operations		Nam Pei Hong operations		Unallocated		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<b>Amounts included in the measure of segment results or segment assets:</b>														
Amortisation of intangible assets	-	-	-	-	-	-	-	-	577	610	-	-	577	610
Amortisation of interests in leasehold land	21,285	21,055	-	-	-	-	-	-	-	-	1,873	1,873	23,158	22,928
Bargain purchases gain recognised in a business combination	-	-	-	-	-	-	-	-	-	-	-	3,072	-	3,072
Depreciation of property, plant and equipment	62,806	68,114	-	-	-	-	994	2,360	2,732	1,126	3,724	2,691	70,256	74,291
Impairment loss recognised in respect of film rights	-	-	-	-	2,405	2,939	-	-	-	-	-	-	2,405	2,939
Impairment loss recognised in respect of films in progress	-	-	-	-	-	40	-	-	-	-	-	-	-	40
Impairment loss recognised in respect of intangible assets	-	-	587	13,177	-	-	-	-	6,278	-	-	-	6,865	13,177
Impairment loss recognised in respect of deposits, prepayment, and other receivables	-	-	-	-	-	1,656	-	-	-	-	-	-	-	1,656
(Gain)/loss on disposal of property, plant and equipment	(388)	699	-	-	-	-	-	-	1	-	(5)	-	(392)	699
Loss on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	388	-	388
Loss on fair value change of investment property	-	-	-	-	-	-	4,930	-	-	-	-	-	4,930	-
Additions to non-current assets (other than financial instruments)*	42,090	17,744	-	-	-	-	12	638	1,220	7,718	6,348	1,282	49,670	27,382
<b>Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:</b>														
Interests in joint ventures	-	-	-	-	-	-	-	-	-	-	251	113	251	113
Interest income	451	875	-	20	1,147	1	34	87	7	4	94,271	36,597	95,910	37,584
Finance costs	2,268	11,524	-	-	85	-	-	20	327	193	26,634	4,602	29,314	16,339
Share of (gain)/loss of joint ventures	-	-	-	-	-	-	-	-	-	-	(138)	530	(138)	530

\* Additions to non-current assets consist of additions to property, plant and equipment and interests in leasehold land.

#### 4. SEGMENT INFORMATION (CONTINUED)

##### (d) Information about major customers

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hotel and gaming service operations		
Customer A	<u><u>724,602</u></u>	<u><u>1,016,488</u></u>

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

##### (e) Geographical information

The following table sets out information about geographical location of (i) revenue from external customers and (ii) non-current assets. 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	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	158,762	106,043	208,723	176,715
Macau	885,504	1,175,980	770,586	810,482
Other than Hong Kong and Macau	<u>240</u>	<u>1,574</u>	<u>1</u>	<u>1</u>
	<u><u>1,044,506</u></u>	<u><u>1,283,597</u></u>	<u><u>979,310</u></u>	<u><u>987,198</u></u>

#### 5. REVENUE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hotel accommodation income	115,069	114,203
Food and beverage sales	38,239	38,782
Service income from mass market table gaming operations	684,740	917,930
Service income from VIP rooms table gaming operations	32,584	82,695
Service income from slot machines operations	7,277	15,864
Receive profit streams from gaming promotion business	4,748	4,740
Film distribution fee income	18	1,923
Artist management service income	1,199	344
Gross rental income	180	173
Sales of health products	160,452	106,943
	<u><u>1,044,506</u></u>	<u><u>1,283,597</u></u>

**6. OTHER REVENUE**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Consultancy service income	67	–
Dividend income	134	–
Gain on disposal of property, plant and equipment	392	–
Interest income	95,910	37,584
Management fee income	769	559
Other ancillary hotel revenue	11,110	12,746
	<u>108,382</u>	<u>50,889</u>

**7. OTHER INCOME**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net foreign exchange gain	–	70
Bargain purchase gain recognised in a business combination	–	3,072
Other	915	137
	<u>915</u>	<u>3,279</u>

**8. FINANCE COSTS**

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interests on:		
Bank borrowings		
– wholly repayable within five years	2,649	11,719
– wholly repayable after five years	26,629	–
Finance leases	36	20
Imputed interest on convertible bonds	–	4,600
	<u>29,314</u>	<u>16,339</u>



## 9. PROFIT BEFORE TAX

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Amortisation of interests in leasehold land	<b>23,158</b>	22,928
Amortisation of intangible assets	<b>577</b>	610
Amortisation of film rights (included in cost of sales)	<b>241</b>	337
Auditors' remuneration	<b>1,281</b>	1,254
Cost of inventories sold (included in cost of sales)	<b>106,743</b>	83,900
Depreciation of property, plant and equipment	<b>70,256</b>	74,291
Employee benefit expenses	<b>221,278</b>	169,919
Impairment loss recognised in respect of deposits, prepayment and other receivables (included in other operating expenses)	–	1,656
Impairment loss recognised in respect of film rights (included in other operating expenses)	<b>2,405</b>	2,939
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)	<b>6,865</b>	13,177
(Gain)/loss on disposal of property, plant and equipment	<b>(392)</b>	699
Loss on disposal of subsidiaries (included in other operating expenses)	–	388
Loss on fair value change of investment property (included in other operating expenses)	<b>4,930</b>	–
Gain on disposal of financial assets classified as held for trading investments	<b>(21,991)</b>	(18,798)
(Gain)/loss arising on change in fair value of financial assets classified as held for trading investments	<b>(77,647)</b>	10,688
Operating lease rental in respect of premises	<b>21,975</b>	13,068
Share-based payment expenses in respect of consultancy services (included in other operating expenses)	<b>15,059</b>	–
Write-down of obsolete inventories	<b>10</b>	171
Gross rental income from investment properties	<b>(180)</b>	(173)
Less: Direct operating expenses incurred for investment properties during the year	<b>317</b>	39
	<b>137</b>	(134)

## 10. INCOME TAX CREDIT

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>The income tax credit is as follow:</b>		
Under provision in prior years:		
Macau Complementary Tax	(173)	–
Deferred tax:		
Current year	<u>322</u>	<u>160</u>
Total income tax credit for the year	<u><u>149</u></u>	<u><u>160</u></u>

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

No provision for Hong Kong Profits Tax has been made for both years as the Group have 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 years as the Group has no assessable profit arising in Macau.

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

## 11. DIVIDEND

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

## 12. EARNINGS PER SHARE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<i>Earnings</i>		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>107,871</u>	<u>209,665</u>
	2015 <i>'000</i>	2014 <i>'000</i> (restated)
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	707,467	520,854
Effect of dilutive potential ordinary shares: Share options	<u>46,192</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>753,659</u>	<u>520,854</u>

## 12. EARNINGS PER SHARE (CONTINUED)

Pursuant to the deed poll of the bonus convertible bonds, the bonus convertible bonds will confer the holders with the same economic interests attached to the shareholders of the Company. Accordingly, 1,060,317 (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 (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 year ended 31st December 2015 and 31st December 2014.

The weighted average number of ordinary shares for the year ended 31st December 2014 for the purposes of calculating basis and diluted earnings per share have been adjusted for the capital reorganisation which took place on 9th November 2015.

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic earnings per share calculation for the year ended 31st December 2014, the exercise of the above potential dilutive shares is not assumed in the calculation of diluted earnings per share for the year ended 31st December 2014.

## 13. TRADE RECEIVABLES

The Group's trade receivables arose from (i) hotel and gaming service, (ii) gaming promotion, (iii) film related business and (iv) Nam Pei Hong operations for the year.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables from:		
– Hotel and gaming service	112,410	110,960
– Gaming promotion	360	368
– Film related business	1,433	2,784
– Nam Pei Hong operations	5,529	3,089
	<hr/>	<hr/>
	119,732	117,201
Less: Allowance for doubtful debts	(305)	(1,565)
	<hr/>	<hr/>
	<b>119,427</b>	<b>115,636</b>
	<hr/> <hr/>	<hr/> <hr/>

### 13. TRADE RECEIVABLES (CONTINUED)

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 30 days	116,048	112,716
31 to 60 days	1,245	889
61 to 90 days	759	92
Over 90 days	1,375	1,939
	<u>119,427</u>	<u>115,636</u>

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

At 31st December 2015, trade receivables with the amounts of approximately HK\$111,553,000 (2014: HK\$109,955,000) is due from the Group's two (2014: two) largest customers.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1st January	1,565	1,611
Amount written off as uncollectible	(1,225)	–
Foreign exchange translation gain	(35)	(46)
At 31st December	<u>305</u>	<u>1,565</u>

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Over 90 days	<u>1,375</u>	<u>1,939</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

#### 14. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

At 31st December 2014, deposit paid for investment with amount of HK\$600,000,000 represented 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. LOAN RECEIVABLES

	<b>2015</b>	2014
	<b><i>HK\$’000</i></b>	<i>HK\$’000</i>
Fixed-rate loan receivables	<b><u>1,225,000</u></b>	<u>600,000</u>

Loan receivables are interest bearing at rates ranging from 3% to 12% per annum (2014: 10% per annum) and repayable on the date falling 24 months from the first drawdown date. Loan receivables contain a clause of repayable on demand and thus classified as current assets.

Loan receivables with amounts of HK\$550,000,000 (2014: HK\$600,000,000) are secured by the personal guarantees of the sole beneficial owner and director of respective borrowers.

## 16. TRADE PAYABLES

The Group's trade payables arose from (i) hotel and gaming service, (ii) film related business and (iii) Nam Pei Hong operations for the year.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables from:		
– Hotel and gaming service	26,400	28,265
– Film related business	2,650	3,709
– Nam Pei Hong operations	10,598	7,162
	<u>39,648</u>	<u>39,136</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 30 days	14,596	13,331
31 to 60 days	5,616	3,438
61 to 90 days	99	164
Over 90 days	19,337	22,203
	<u>39,648</u>	<u>39,136</u>

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the year ended 31st December 2015, the Group's revenue decreased by 19% to HK\$1,044,506,000 (2014: HK\$1,283,597,000).

Profit from operations decreased by 40% to HK\$136,891,000 (2014: HK\$226,720,000). Profit for the year decreased by 49% to HK\$107,864,000 (2014: HK\$210,011,000). Such decrease is mainly attributable to (i) 29% decrease in the figure of gross profit to HK\$462,722,000 from HK\$650,142,000 in the previous year due to significant decrease in revenue from service income from gaming operations as a result of the recession in gaming industry in Macau; and (ii) the incur of share-based payment expenses of HK\$51,986,000 related to share options granted in this year. The effect of such decrease is partially offset by (1) substantial increase in gain arising on change in fair value of financial assets classified as held for trading investments to HK\$99,638,000 from HK\$8,110,000 in the previous year; and (2) increase in interest income represented in other revenue to HK\$95,910,000 from HK\$37,584,000 in the previous year.

Profit attributable to owners of the Company for the year ended 31st December 2015 amounted to HK\$107,871,000 representing a decrease of 49% as compared to HK\$209,665,000 in the previous year.

### **DIVIDEND**

The directors do not recommend the payment of a final dividend for the year ended 31st December 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.

Of the total revenue for the year, HK\$877,909,000 or 84% was generated from hotel and gaming service operations, HK\$4,748,000 or 1% was generated from gaming promotion operations, HK\$1,217,000 or 0% was generated from film related business operations, HK\$180,000 or 0% was generated from property development operations and HK\$160,452,000 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 (“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 70 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\$877,909,000 (2014: HK\$1,169,474,000) and HK\$62,279,000 (2014: HK\$236,528,000) from the hotel and gaming service operations, decrease of 25% and 74% respectively. Revenue in the hotel and gaming service operations mainly comprised of hotel accommodation income of HK\$115,069,000 (2014: HK\$114,203,000), food and beverage sales of HK\$38,239,000 (2014: HK\$38,782,000), service income received from (i) mass market table gaming of HK\$684,740,000 (2014: HK\$917,930,000) representing decrease of 25%, (ii) VIP rooms table gaming of HK\$32,584,000 (2014: HK\$82,695,000) representing decrease of 61% and (iii) slot machines of HK\$7,277,000 (2014: HK\$15,864,000) representing decrease of 54%. During the year, the average monthly revenue received from (i) mass market table gaming is HK\$57,062,000 (2014: HK\$76,494,000) and (ii) VIP rooms table gaming is HK\$2,715,000 (2014: HK\$6,891,000). Besides, the occupancy rate of Hotel LKF during the year was about 99% (2014: 98%).

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 year ended 31st December 2015, the total casino revenue gross win in Macau market was approximately MOP230.84 billion, decreased of 34.3% from the corresponding period in last year. The scale of drop in revenue from this segment is 25% which has outweigh the casino market performance in Macau generally.

### **Gaming Promotion Operations**

The Group had shared revenue and segment profit of approximately HK\$4,748,000 (2014: HK\$4,740,000) and HK\$2,947,000 (2014: loss of HK\$9,629,000) from the gaming promotion operations, increase of 0% and 131% 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 table gaming is that the majority of the business volume is highly volatile. Ocho had lost its competitive advantage as it cannot offer a better than market commission to its quality sub-junkets or customers as they were attracted by other large and well equipped new hotels and casinos in Macau. The decrease in revenue sharing also impact and decrease the expected cash inflow from this operation and thus impairment loss in respect of the intangible assets of HK\$587,000 (2014: HK\$13,177,000) was recognised. This impairment 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 year. The increase in segment profit was due to decrease in impairment loss recognised in this year.

### **Film Related Business Operations**

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

In year 2015, revenue from film related business operations amounted to HK\$1,217,000 (2014: HK\$2,267,000) and its segment loss amounted to HK\$4,959,000 (2014: HK\$3,702,000). The segment loss was mainly attributable to impairment loss recognised in respect of film related business of HK\$2,405,000 (2014: HK\$4,635,000). During the year, the Group did not distribute 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 within the year 2016. In this year, the Group also has investment in production of film which is co-financing with other production companies and will shared revenue from the invested film according to the investment percentage in the relevant agreement.

## **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”). In order to enhance the commercial value of the Sites, the Group has decided to build a luxury residential and commercial complex with spacious apartment units, which will have higher selling prices than the existing development plan of the individual Lot 6B, Lot 6C, Lot 6D and Lot 6E. The Group submitted the architectural design and drawings of the Sites to the Land, Public Works and Transport Bureau of Macau for approval. Therefore, the Sites have remained undeveloped.

In year 2015, revenue from property development operations amounted to HK\$180,000 (2014: HK\$173,000) and its segment loss amounted to approximately HK\$6,439,000 (2014: HK\$2,732,000).

## **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.

According to the figure released by the Census and Statistics Department of Hong Kong, for 2015 as a whole, the value of total retail sales was HK\$475.2 billion, decreased by 3.7% in value compared with 2014. Nam Pei Hong’s revenue and gross profit declined as compared with those for the corresponding period in 2014 as a result of the adverse market. It had struggled to survive by lower its margin in order to maintain higher turnover.

In year 2015, the Group had shared revenue of approximately HK\$160,452,000 and segment loss of approximately HK\$8,519,000. The revenue and segment profit for the year ended 31 December 2014 (excluding period from 11th June 2014 to 20th November 2014) shared by the Group was HK\$106,943,000 and HK\$361,000 respectively. The segment loss this year was mainly attributable to impairment loss recognised in respect of the intangible assets on trademarks and exclusive distribution rights of HK\$4,901,000 and HK\$1,377,000 respectively. During the year, the retail shops of Nam Pei Hong increased from 10 to 12.

## **Geographical segments**

For the geographical segments, revenue of HK\$885,504,000 or 85% (2014: HK\$1,175,980,000 or 92%) was sourced from Macau, HK\$158,762,000 or 15% (2014: HK\$106,043,000 or 8%) was sourced from Hong Kong and HK\$240,000 or 0% (2014: HK\$1,574,000 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 year ended 31st December 2015, administrative expenses amounted to HK\$383,065,000 (2014: HK\$397,562,000), representing a 4% decrease. The decrease was mainly attributable to the decrease in casino management fees paid by Casino LKF during the year. Such management fees decreased because it was based on a fixed percentage of service income from VIP rooms table gaming that had decreased by 61% from the previous year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st December 2015, the Group had total assets of approximately HK\$4,791,461,000 and a net current assets of HK\$3,359,979,000, representing a current ratio of 8.4 (2014: 5.5). The Group had cash and bank balances of approximately HK\$1,051,692,000 (2014: HK\$323,939,000). As at 31st December 2015, the Group had total borrowings of HK\$925,747,000 which comprised a secured bank term loan with remaining balance of HK\$910,000,000 (the "Term Loan"), import trade loans in aggregate amount of HK\$14,928,000 (the "Import Loan") and obligations under finance leases of HK\$819,000.

The Term Loan was secured by the Group's leasehold land and buildings with carrying amount of HK\$578,370,000, interest bearing at 1.75% per annum below the Hong Kong Prime rate quoted by the bank and repayable by remaining of 28 equal consecutive quarterly installments of HK\$30,000,000 each and a final repayment for the remaining balance of HK\$70,000,000. 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.

As at 31st December 2015, the Group had banking facilities amounting to HK\$1,066,000,000 which were utilised to the extent of HK\$1,014,928,000. The Group's gearing was acceptable during the year with total debts of HK\$925,747,000 against owners' equity of HK\$3,466,190,000. This represents a gearing ratio, calculated in the basis of the Group's total borrowings over owners' equity of 27% (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 31st December 2015, the Group had no material contingent liability.

As at 31st December 2015, outstanding commitments by the Group amounted to approximately HK\$92,377,000, of which HK\$29,737,000 was professional fees for the preparation of the development plan of the Sites and HK\$6,098,000 as purchase and renovation of property, plant and equipment and HK\$56,542,000 for film rights, films in progress and film deposits.

On 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. This supplemental agreement lapsed on 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 per share 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 2015, the net proceeds were used in film production and general working capital of the Group 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 on 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 on 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 on 17th July 2014 (the "First Loan") 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 18th September 2015, the junket company III had repaid all outstanding loan (including First Loan and Loan III) and accrued interest thereon due to the Group in an aggregate amount of approximately HK\$281.16 million upon the written demand of the Group pursuant to the loan agreements.

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 effect 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 31st December 2015, approximately HK\$180 million were used in film production and the general working capital of the Group and the remaining net proceeds of approximately HK\$156.27 million 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.

On 9th November 2015, the Company completed a capital reorganisation (“Capital Reorganisation”) comprising (a) share consolidation: that every twenty-five (25) existing shares of par value of HK\$0.01 each in the issued and unissued share capital of the Company be consolidated into one (1) consolidated share of par value of HK\$0.25 each (“Consolidated Share”); (b) capital reduction: that the par value of each of the issued Consolidated Shares be reduced from HK\$0.25 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.24 on each of the issued Consolidated Shares, the credit arising from such reduction be credited to the contributed surplus account of the Company and any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation will be cancelled; and (c) Share Sub-division: that each of the authorised but unissued consolidated shares of par value of HK\$0.25 each be sub-divided into twenty-five (25) new shares of par value of HK\$ 0.01 each. The board lot size for trading in the shares also changed from 50,000 existing shares to 10,000 new shares subject to and upon the Capital Reorganisation becoming effective.

During the year ended 31st December 2015, 1,443,000,000 share options were granted on 4th May 2015, 401,961 share options and 10,288 share options were expired on 3rd February 2015 and 29th December 2015 respectively and no share options of the Company were exercised or lapsed.

## **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 paid 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 financial position or business operation of the Group.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31st December 2015, the Group employed 794 staff (2014: 780 staff) with employee benefit expenses of HK\$221,278,000 (2014: HK\$169,919,000) 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 staffs 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**

Hotel and gaming service operations in Lan Kwai Fong is still the core profit and cash contributor of the Group this year. The successful transformation of Lan Kwai Fong to a boutique hotel that embraces gaming, recreation and tourist accommodation has solidified our role in Macau’s hotel and gaming industry. However, Macau gaming industry has been facing unprecedented challenges with unfavourable market conditions which are notably anticipated to remain difficult in the short term. The hotel and gaming service operations in Lan Kwai Fong is unavoidable influence by the market trend of Macau gaming industry. Those unfavourable factors include full smoking ban in casinos and restriction on visitation to Macau from the Mainland China and have inevitably affected the overall gaming revenue and caused the short term recession in the gaming industry. Being a boutique size hotel, we can response efficiently to the changing market condition by shifting the number of gaming tables between mass market and VIP operations and therefore strengthen our performance in the mass market. In addition, we have implemented more stringent cost control measure on operation expense and marketing expense. Marketing plan is implemented to develop a close relationship with our customers in order to secure the return rate of them.



Nam Pei Hong operations are expected to adversely influence by the downturn trend in the retail market in Hong Kong. Nam Pei Hong will utilize its strength by shifting back to its core business, the sale of “Sum Yung” products. Being one of the famous brand name shop in the product of “Sum Yung”, Nam Pei Hong will actively develop our wholesale business by utilizing our staff’s expertise in the products and network in the market. All our staff will stay alert, gather business data and market information and hope to maintain our revenue and profit margin in this adverse market condition.

The Group will continue its furtherance and development of its already well established film production business. Recently, the film industry in the Mainland China has entered a golden phase of rapid development, continuously breaking records of box office receipts. In fact, the Group has allocate more resources to film production in years before and has producing a film which is tentatively known as “League of Gods 封神傳奇”. The film has completed shooting in June 2015 and is in its post production period and will tentatively planned to be on screen within year 2016. The Group is studying and preparing for any new production once we have satisfied with the initial feasibility study. Given our extensive experience in production and the strong distribution network in the film industry, the Group is confident in capture this golden opportunities in the film industry and maximizing our value and return.

Given the superb location of the Sites, the current condition of the Macau properties market, the Group’s solid experience in renovation of Lan Kwai Fong and the comparatively lower purchase cost of the Sites, the Group is confident in development of the Sites.

The Group’s strategy is to maintain strong financial position in order to capture suitable opportunities. 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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31st December 2015.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintain a high standard of corporate governance practices. The Company has applied the principles and complied with all the applicable code provisions laid down in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “Code”) for the year ended 31st December 2015, except for the following deviations:

- a) Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company’s bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code; and
- b) Under the code provision A.6.7 of the Code, all the independent non-executive directors should attend general meetings. Mr. Hung Cho Sing, an independent non-executive director of the Company, was not able to attend the special general meeting of the Company held on 23rd October 2015 due to another business engagement.

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

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

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group’s consolidated financial statements for the year ended 31st December 2015.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “Model Code”) as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31st December 2015. The Model Code also applies to other specified senior management of the Group.

## **PUBLICATION OF ANNUAL REPORT**

The Company's 2015 annual report will be despatched to the shareholders of the Company on or before 30th April 2016 and will be published on the website of Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.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, 29th March 2016

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