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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 2019

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 2019 together with the comparative figure for 2018 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Continuing operations			
Revenue	5	7,053	3,493
Cost of sales		(1,998)	—
		<hr/>	<hr/>
Gross profit		5,055	3,493
Other revenue and other income	6	95,252	84,725
Administrative expenses		(78,546)	(84,312)
Marketing and distribution expenses		(29,167)	(91)
Loss arising on change in fair value of financial assets at fair value through profit or loss		(183,582)	(360,209)
Other operating expenses		(144,030)	(45,993)
		<hr/>	<hr/>
Loss from operations		(335,018)	(402,387)
Finance costs	7	(408)	(2,835)
Share of loss of a joint venture		(270)	(114)
		<hr/>	<hr/>

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year ended 31st December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss before tax	8	(335,696)	(405,336)
Income tax expense	9	<u>(35)</u>	<u>–</u>
Loss for the year from continuing operations		(335,731)	(405,336)
Discontinued operation			
Profit for the year from discontinued operation		<u>–</u>	<u>1,458,855</u>
(Loss)/profit for the year		<u>(335,731)</u>	<u>1,053,519</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(335,226)	1,053,530
Non-controlling interests		<u>(505)</u>	<u>(11)</u>
		<u>(335,731)</u>	<u>1,053,519</u>
		2019 <i>HK cents</i>	2018 <i>HK cents</i>
(Loss)/earnings per share	11		
From continuing and discontinued operations			
Basic and diluted		<u>(12.17)</u>	<u>62.90</u>
From continuing operations			
Basic and diluted		<u>(12.17)</u>	<u>(24.20)</u>
From discontinued operation			
Basic and diluted		<u>–</u>	<u>87.10</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss)/profit for the year	(335,731)	1,053,519
Other comprehensive (loss)/income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	<u>(205)</u>	<u>90</u>
Total comprehensive (loss)/income for the year	<u>(335,936)</u>	<u>1,053,609</u>
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	(335,431)	1,053,620
Non-controlling interests	<u>(505)</u>	<u>(11)</u>
	<u>(335,936)</u>	<u>1,053,609</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		151,144	88,608
Interests in leasehold land		–	53,409
Investment properties		–	–
Goodwill		–	–
Prepayment		16,000	–
Loan to a director		369,974	327,903
Interest in a joint venture		–	270
		<hr/>	<hr/>
		537,118	470,190
Current assets			
Inventories		101	–
Stock of properties		3,047,123	2,508,568
Film rights		12,792	11,478
Films in progress		115,156	201,005
Investment in film		29,939	29,939
Trade receivables	12	1,377	–
Deposits, prepayment and other receivables		644,169	451,826
Financial assets at fair value through profit or loss		313,284	453,481
Loan receivables		199,127	200,000
Time deposits		272	269
Cash and bank balances		497,748	1,156,466
		<hr/>	<hr/>
		4,861,088	5,013,032
Total assets		5,398,206	5,483,222
Capital and reserves			
Share capital		27,110	28,011
Reserves		3,660,429	4,403,951
Equity attributable to owners of the Company			
Non-controlling interests		(630)	(125)
		<hr/>	<hr/>
Total equity		3,686,909	4,431,837

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31st December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current liabilities			
Promissory note		–	–
Lease liabilities		<u>7,100</u>	<u>–</u>
		<u>7,100</u>	<u>–</u>
Current liabilities			
Trade payables	13	78,251	38,421
Deposits received, accruals and other payables		87,254	509,848
Lease liabilities		5,394	–
Bank borrowings		1,030,150	–
Amounts due to non-controlling interests		503,116	503,116
Tax payable		<u>32</u>	<u>–</u>
		<u>1,704,197</u>	<u>1,051,385</u>
Total liabilities		<u>1,711,297</u>	<u>1,051,385</u>
Total equity and liabilities		<u>5,398,206</u>	<u>5,483,222</u>
Net current assets		<u>3,156,891</u>	<u>3,961,647</u>
Total assets less current liabilities		<u>3,694,009</u>	<u>4,431,837</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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda and Unit 3409, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong respectively.

Its ultimate parent is Heung Wah Keung Family Endowment Limited which is equally owned by Mr. Heung Wah Keung (“Mr. Heung”) and Ms. Chen Ming Yin, Tiffany, spouse of Mr. Heung.

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

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

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

(a) New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

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

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January 2019, the Group applies the definition of a lease in accordance which requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January 2019.

At 1st January 2019, the Group recognised additional lease liabilities and right-of-use assets (included in property, plant and equipment) at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating lease under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

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

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

- (iii) applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and Macau was determined on a portfolio basis; and
- (iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 2.7%.

	At 1st January 2019 <i>HK\$’000</i>
Operating lease commitments disclosed at 31st December 2018	18,589
Less: recognition exemption – low-value assets	<u>(125)</u>
Total undiscounted lease liabilities at 1st January 2019 for application of HKFRS 16	18,464
Less: future finance costs	<u>(123)</u>
Lease liabilities at 1st January 2019	<u><u>18,341</u></u>
Analysed as:	
Current	5,847
Non-current	<u>12,494</u>
	<u><u>18,341</u></u>

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

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets at 1st January 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	18,341
Add: reclassification from interests in leasehold land (<i>Note</i>)	53,409
prepaid lease payments	376
	<hr/>
	72,126
	<hr/> <hr/>
By class:	
Leased properties	18,717
Leasehold land	53,409
	<hr/>
	72,126
	<hr/> <hr/>

The Group presents right-of-use assets in “property, plant and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

Note:

Upfront payments for leasehold lands in Hong Kong for own used properties were classified as interests in leasehold land as at 31st December 2018. Upon application of HKFRS 16, the interests in leasehold land amounting to HK\$53,409,000 were reclassified to right-of-use assets.

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

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The following adjustments were made to amounts recognised in the consolidated statement of financial position at 1st January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previous reported at 31st December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1st January 2019 <i>HK\$'000</i>
<i>Non-current assets</i>			
Property, plant and equipment	88,608	72,126	160,734
Interests in leasehold land	53,409	(53,409)	–
<i>Current assets</i>			
Deposits, prepayment and other receivables	451,826	(376)	451,450
<i>Current liabilities</i>			
Lease liabilities	–	5,847	5,847
<i>Non-current liabilities</i>			
Lease liabilities	–	12,494	12,494
	<u>–</u>	<u>12,494</u>	<u>12,494</u>

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

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

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

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

² Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1st January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1st January 2020.

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

3. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by disclosure requirement of the Hong Kong Companies Ordinance.

4. SEGMENT INFORMATION

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

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

4. SEGMENT INFORMATION (CONTINUED)

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

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

Continuing operations

- | | | |
|--|---|---|
| Film related business operations | – | Investment, production, distribution and licensing of films and television drama series and provision of other film related services including artist management services |
| Property development and investment operations | – | Investment and development of properties located in Macau |
| Restaurant operations | – | Provision of catering services through a restaurant in Hong Kong |

Discontinued operation

- | | | |
|-------------------------------------|---|---|
| Hotel and gaming service operations | – | Provision of hotel services, food and beverage operation services, provision of right to occupy site and marketing services for gaming operation in Hotel Lan Kwai Fong Macau |
|-------------------------------------|---|---|

During the year ended 31st December 2019, the Group commenced restaurant operations in Hong Kong.

During the year ended 31st December 2018, the hotel and gaming services operations discontinued.

The segment information reported below does not include any amounts for the discontinued operation.

4. SEGMENT INFORMATION (CONTINUED)

Continuing operations

Segment information about these operations is presented as below:

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

	Segment revenue		Segment results	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Film related business operations	6,466	3,493	(169,199)	(14,477)
Property development and investment operations	–	–	(14,071)	(9,206)
Restaurant operations	587	–	(4,083)	–
	<u>7,053</u>	<u>3,493</u>	<u>(187,353)</u>	<u>(23,683)</u>
Reconciliation from segment results to loss before tax from continuing operations				
Unallocated corporate income			87,517	83,437
Loss arising on change in fair value of financial assets at fair value through profit or loss (“FVTPL”)			(183,582)	(360,209)
Share of loss of a joint venture			(270)	(114)
Unallocated corporate expenses			<u>(52,008)</u>	<u>(104,767)</u>
Loss before tax			<u>(335,696)</u>	<u>(405,336)</u>

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

Segment results represent the loss suffered by each segment without allocation of central administrative expenses, partial finance costs, and partial other operating expenses under the heading of “unallocated corporate expenses”, partial other revenue and other income under the heading of “unallocated corporate income”, loss arising on change in fair value of financial assets at FVTPL and share of loss of a joint venture. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. SEGMENT INFORMATION (CONTINUED)

Continuing operations (Continued)

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
ASSETS		
Segment assets		
– Film related business operations	660,535	526,100
– Property development and investment operations	3,234,065	2,596,602
– Restaurant operations	7,071	–
	<u>3,901,671</u>	<u>3,122,702</u>
Total segment assets	3,901,671	3,122,702
Unallocated assets	1,496,535	2,360,520
	<u>5,398,206</u>	<u>5,483,222</u>
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
LIABILITIES		
Segment liabilities		
– Film related business operations	88,118	76,074
– Property development and investment operations	1,597,986	538,365
– Restaurant operations	2,227	–
	<u>1,688,331</u>	<u>614,439</u>
Total segment liabilities	1,688,331	614,439
Unallocated liabilities	22,966	436,946
	<u>1,711,297</u>	<u>1,051,385</u>

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

- all assets are allocated to reportable segments, other than loan to a director, interest in a joint venture, partial deposits, prepayment and other receivables, financial assets at FVTPL, loan receivables, 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 deposits received, accruals and other payables and partial lease liabilities.

4. SEGMENT INFORMATION (CONTINUED)

Continuing operations (Continued)

(c) Other segment information

	Film related business operations		Property development and investment operations		Restaurant operations		Unallocated		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts included in the measure of segment results or segment assets:										
Amortisation of film rights	1,747	-	-	-	-	-	-	-	1,747	-
Amortisation of interests in leasehold land	-	-	-	-	-	-	-	1,873	-	1,873
Depreciation of property, plant and equipment	1,085	193	4,161	1,350	612	-	8,161	2,750	14,019	4,293
Impairment loss recognised in respect of film rights	125,246	571	-	-	-	-	-	-	125,246	571
Impairment loss recognised in respect of films in progress	10,275	-	-	-	-	-	-	-	10,275	-
Impairment loss recognised in respect of property, plant and equipment	-	-	6,814	3,601	-	-	-	-	6,814	3,601
Reversal of impairment loss recognised in respect of trade receivables	(230)	(120)	-	-	-	-	-	-	(230)	(120)
Impairment loss recognised in respect of loan receivables	-	-	-	-	-	-	873	-	873	-
Impairment loss recognised in respect of other receivables	-	-	-	-	-	-	822	-	822	-
Loss/(gain) on disposal of property, plant and equipment	-	-	-	1	-	-	-	(10)	-	(9)
Written off of property, plant and equipment	-	-	-	-	-	-	14	-	14	-
Gain on fair value change of investment properties	-	-	-	(1,300)	-	-	-	-	-	(1,300)
Additions to property, plant and equipment	7	1	3,799	1,015	7,336	-	115	1,333	11,257	2,349
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:										
Interest in a joint venture	-	-	-	-	-	-	-	270	-	270
Bank interest income	2,737	291	3,791	15	-	-	8,016	14,938	14,544	15,244
Loan interest income	-	-	-	-	-	-	77,559	65,532	77,559	65,532
Other interest income	-	-	-	-	-	-	70	87	70	87
Finance costs	56	-	81	-	-	-	271	2,835	408	2,835
Share of loss of a joint venture	-	-	-	-	-	-	270	114	270	114

4. SEGMENT INFORMATION (CONTINUED)

Continuing operations (Continued)

(d) Information about major customers

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Film related business operations		
Customer A (<i>Note (i)</i>)	794	–
Customer B (<i>Note (ii)</i>)	–	1,541
Customer C (<i>Note (ii)</i>)	–	718
Customer D (<i>Note (ii)</i>)	–	358
Customer E (<i>Note (ii)</i>)	–	360
	<u>794</u>	<u>3,577</u>

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

Notes:

- (i) No revenue is derived from Customer A during the year ended 31st December 2018.
- (ii) No revenue is derived from Customer B, Customer C, Customer D and Customer E during the year ended 31st December 2019.

(e) Geographical information

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

	Revenue from external customers		Non-current assets (excluded prepayment and financial instruments)	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	752	719	145,015	141,289
Macau	–	–	6,128	995
The People's Republic of China ("PRC")	5,861	1,233	1	3
Others	440	1,541	–	–
	<u>7,053</u>	<u>3,493</u>	<u>151,144</u>	<u>142,287</u>

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Continuing operations		
Distribution fee income	4,174	1,541
Artist management service income	2,292	1,952
Restaurant operations	587	–
	<hr/>	<hr/>
Revenue from contracts with customers	7,053	3,493
	<hr/> <hr/>	<hr/> <hr/>
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Timing of revenue recognition		
A point in time	7,053	3,493
	<hr/> <hr/>	<hr/> <hr/>

(ii) Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its artist management service income such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the artist management contracts as all contract works have an original expected duration of one year or less.

6. OTHER REVENUE AND OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Continuing operations		
Consultancy service income	972	972
Dividend income	1,344	1,366
Gain on disposal of property, plant and equipment	–	9
Gain on disposal of a subsidiary	–	639
Bank interest income	14,544	15,244
Loan interest income	77,559	65,532
Other interest income	70	87
Management fee income	390	720
Reversal of impairment loss recognised in respect of trade receivables	230	120
Sundry income	143	36
	<u>95,252</u>	<u>84,725</u>

7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Continuing operations		
Interests on bank borrowings	36,723	964
Interest on promissory note	–	1,871
Interests on lease liabilities	408	–
	<u>37,131</u>	<u>2,835</u>
Interests capitalised to stock of properties	<u>(36,723)</u>	<u>–</u>
	<u>408</u>	<u>2,835</u>

8. LOSS BEFORE TAX

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Continuing operations		
Amortisation of interests in leasehold land	–	1,873
Amortisation of film rights (included in cost of sales)	1,747	–
Auditors' remuneration and other services:		
Auditors of the Company		
– audit services	1,273	1,219
– non-audit services	187	186
Other auditor	282	–
	1,742	1,405
Cost of inventories sold (included in cost of sales)	251	–
Depreciation of property, plant and equipment	14,019	4,293
Employee benefit expenses (included directors' remuneration)	43,886	58,740
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	7	–
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	95	–
Gain on disposal of property, plant and equipment	–	(9)
Gain on fair value change of investment properties (included in other operating expenses)	–	(1,300)
Impairment loss recognised in respect of film rights (included in other operating expenses)	125,246	571
Impairment loss recognised in respect of films in progress (included in other operating expenses)	10,275	–
Impairment loss recognised in respect of property, plant and equipment (included in other operating expenses)	6,814	3,601
Impairment loss recognised in respect of loan receivables (included in other operating expenses)	873	–
Impairment loss recognised in respect of other receivables (included in other operating expenses)	822	–
Loss on early redemption of promissory note (included in other operating expenses)	–	24,778
Loss arising on change in fair value of financial assets at FVTPL	183,582	360,209
Net foreign exchange loss	261	4,253
Operating lease rental in respect of premises	–	5,791
Reversal of impairment loss recognised in respect of trade receivables	(230)	(120)
Share-based payment expenses in respect of consultancy fee	–	1,839
Written off of property, plant and equipment	14	–
	<u>14</u>	<u>–</u>

9. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Continuing operations		
Current tax:		
– Hong Kong Profits Tax	32	–
– PRC Enterprise Income Tax	3	–
	<u>35</u>	<u>–</u>
	<u><u>35</u></u>	<u><u>–</u></u>

On 21st March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made for the year ended 31st December 2018 as the Group has no assessable profits arising in Hong Kong or taxable profits were wholly absorbed by estimated tax losses brought forward.

The PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% for both years. Macau subsidiaries are subject to Macau Complementary Tax at the maximum progressive rate of 12% on the estimated assessable profit for both years. Netherland subsidiary is subject to the corporate tax at 20% of the taxable income up to and including EUR200,000, above which the rate is 25%.

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

No provision for the PRC Enterprise Income Tax has been made for the year ended 31st December 2018 as the Group has no assessable profits arising in the PRC.

10. DIVIDEND

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Special dividend of HK12.5 cents (2018: HK15 cents)	<u>339,008</u>	<u>420,326</u>

On 30th August 2019, the board of the directors declared the payment of a special interim dividend of HK12.5 cents per ordinary share of the Company to the shareholders whose names appear on the Company's register of members and the bonus convertible bondholders (the "Bonus CBs holders") whose names appear on the Company's register of Bonus CBs holder (holders conferred the holders with the same economic interests attached to the shareholders of the Company) on 8th October 2019. The special interim dividend was paid on 18th October 2019 out of the Company's contributed surplus.

On 18th December 2018, the board of the directors declared the payment of a special dividend of HK15 cents per ordinary share of the Company to the shareholders whose names appear on the Company's register of members and the Bonus CBs holders whose names appear on the Company's register of Bonus CBs holders (holders conferred the holders with the same economic interests attached to the shareholders of the Company) on 9th January 2019. The special dividend was paid on 25th January 2019.

No final dividend was paid or proposed during the year, nor any dividend has been proposed by the board of directors subsequent to the end of the reporting period (2018: nil).

11. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company)	<u>(335,226)</u>	<u>1,053,530</u>
	2019 <i>'000</i>	2018 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>2,754,030</u>	<u>1,674,902</u>

Pursuant to the deed polls of the bonus convertible bonds (the “Bonus CBs”), the Bonus CBs conferred the holders with the same economic interests attached to the shareholders of the Company. Accordingly, 1,060,317 (2018: 1,060,317) fully paid ordinary shares of HK\$0.01 each which shall be convertible from an aggregated amount of approximately HK\$265,000 (2018: HK\$265,000) outstanding Bonus CBs are included in the weighted average number of ordinary shares for calculating the basic (loss)/earnings per share.

The Company did not have any potential dilutive shares throughout the year ended 31st December 2019. Accordingly, diluted loss per share is the same as basic loss per share.

As the Company’s outstanding share options where applicable had an anti-dilutive effect to the basic earnings per share calculation, 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 2018.

From continuing operations

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year from continuing operations attributable to owners of the Company)	<u>(335,226)</u>	<u>(405,325)</u>

The weighted average number of ordinary shares used herein are same as those detailed above for the purpose of basic and diluted (loss)/earnings per share from continuing and discontinued operations respectively.

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

From discontinued operation

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year from discontinued operation attributable to owners of the Company)	—	1,458,855
	<u> </u>	<u> </u>

The weighted average number of ordinary shares used herein are same as those detailed above for the purpose of basic and diluted (loss)/earnings per share from continuing and discontinued operations respectively.

12. TRADE RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Credit card receivables	16	—
Other trade receivables	2,324	1,201
Less: allowance for credit losses	(963)	(1,201)
	<u> </u>	<u> </u>
	<u>1,377</u>	<u> </u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 30 days	1,097	—
31 to 60 days	—	—
61 to 90 days	—	—
Over 90 days	280	—
	<u> </u>	<u> </u>
	<u>1,377</u>	<u> </u>

12. TRADE RECEIVABLES (CONTINUED)

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

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

The movement in the allowance for credit losses in respect of trade receivables during the year is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1st January	1,201	1,336
Reversal of impairment	(230)	(120)
Foreign exchange translation gain	(8)	(15)
	<hr/>	<hr/>
At 31st December	963	1,201
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE PAYABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 30 days	45,170	34,932
31 to 60 days	25,012	225
61 to 90 days	2,431	–
Over 90 days	5,638	3,264
	<hr/>	<hr/>
	78,251	38,421
	<hr/> <hr/>	<hr/> <hr/>

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

14. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1st January 2019. Under the transition methods, comparative information is not restated.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31st December 2019, the Group recorded revenue from continuing operations of approximately HK\$7,053,000, representing an increase of 102% as compared to HK\$3,493,000 for the year ended 31st December 2018.

Loss for the year amounted to HK\$335,731,000 as compared to a profit of HK\$1,053,519,000 for the year ended 31st December 2018. Such turnaround is mainly attributable to the aggregate effect of: (i) the absence of recognition for profit from discontinued operation of HK\$1,458,855,000 from disposal of the hotel and gaming services operations of the Group in last year; (ii) the substantial increase in impairment loss recognised in respect of film rights for the year ended 31st December 2019 of HK\$125,246,000 from HK\$571,000 for the year ended 31st December 2018; and (iii) the substantial decrease in the recognition of loss arising on change in fair value of financial assets at fair value through profit or loss of HK\$183,582,000 for the year ended 31st December 2019 from HK\$360,209,000 for the year ended 31st December 2018.

Loss for the year from continuing operations amounted to HK\$335,731,000, representing a decrease of 17% from HK\$405,336,000 for the year ended 31st December 2018. Profit for the year ended 31st December 2018 from discontinued operation amounted to HK\$1,458,855,000.

Loss attributable to owners of the Company for the year ended 31st December 2019 amounted to HK\$335,226,000 as compared to a profit of HK\$1,053,530,000 in the previous year.

DIVIDEND

The board of directors does not recommend the payment of a final dividend for the year ended 31st December 2019 (2018: nil).

During the year, the board of directors recommended a special interim dividend of HK12.5 cents per share in aggregate amount of HK\$339,008,000 to the shareholders and bonus convertible bondholders of the Company. The special interim dividend was paid on 18th October 2019 out of the Company's contributed surplus after the approval by the shareholders of the Company in a special general meeting held on 27th September 2019.

During the year ended 31st December 2018, the board of directors declared a special dividend of HK15 cents per share in aggregate amount of HK\$420,326,000 to the shareholders and bonus convertible bondholders of the Company. The special dividend was paid on 25th January 2019.

BUSINESS REVIEW

Continuing Operations

The Group has three continuing reportable segments - (1) film related business operations; (2) property development and investment operations; and (3) restaurant operations, a new business in the year.

Of the total revenue for the year, HK\$6,466,000 or 92% was generated from film related business operations, nil or 0% was generated from property development and investment operations and HK\$587,000 or 8% was generated from restaurant operations.

Film Related Business Operations

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

In year 2019, revenue from film related business operations amounted to HK\$6,466,000 (2018: HK\$3,493,000) and its segment loss amounted to HK\$169,199,000 (2018: HK\$14,477,000). The segment loss were mainly impairment loss recognised in respect of film rights of HK\$125,246,000 (2018: HK\$571,000) which come from the film released by the Group during the year. The Group has released its new production, “Chasing Dream” which received positive feedback from the film industry. However, the box office and revenue were below expectation. Various external factors have impacted the Hong Kong environment in recent months, making for a challenging time for the film industry in Hong Kong and China. As majority revenue of Chinese film contributed by the China market, the Group incurred significant loss from this film. The Group has been engaging in the film business for more than 20 years. Film production normally involves three stages including pre-production, production or shooting and post-production. From the pre-production stage to theatrical release of Chinese film in Hong Kong, it normally takes more than one year and sometimes several years to complete. The majority of revenue in film will record within the following two years after the film is released. As such, it is the characteristic of film production and distribution that revenue is not recognised evenly with time. The Group also has investment in production of film which is co-financing with other production companies and will shared revenue from the invested film according to the investment percentage in the relevant agreement. The Group takes a passive role in this kind of co-production arrangement but needs to contribute less human resource.

For television drama series, the Group has prepared a few story board of television drama series and assessing the feasibility of these story board. No production of television drama series had started during the year 2019.

After the outbreak of Coronavirus Disease 2019 (“COVID-19”) in early 2020, all preparation for film productions have slow down recently. No film is now in shooting stage. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on our film operations.

Property Development and Investment Operations

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

In year 2019, no revenue was recorded from property development and investment operations and its segment loss amounted to approximately HK\$14,071,000 (2018: HK\$9,206,000). The segment loss mainly represented administrative expenses in this segment.

Under the Urbanistic Conditions Plan, the Property C7 which is a lot of land with the site area of 4,669 square meters, will be developed for residential and parking purpose, with the maximum allowed height of the building of 34.5 meters above sea level and maximum utilization rate of 5.58 (parking not included). An architect has been engaged and is still in the process to compile a development plan of the Property C7 in accordance with the parameters for submission to the Land, Public Works and Transport Bureau of Macau (“DSSOPT”) for approval. The very preliminary development plan is to develop a building under strata title with gross floor areas (in square meters) for residential of 26,047 and parking of 5,200. The development of the Property C7 is expected to start after the development of the Project Tiffany House.

Project Tiffany House is adjacent to Macao Polytechnic Institute and next to Golden Lotus Square, and is a couple of blocks away from Macau Fisherman’s Wharf and Sands Casino. Project Tiffany House has a gross floor area of (a) residential – 31,192 square meters, including approximately 1,900 square meters for clubhouse (b) commercial – 3,716 square meters and (c) parking – 11,250 square meters and will provide 230 units in two towers, with units ranging from studio flats to four-bedroom apartments as well as special units. A prestigious clubhouse will provide a wide range of facilities and retail space at the podium will become a major shopping arcade in the neighbourhood. Construction works started in June 2017 and has obtained its occupational permit in December 2019. Project Tiffany House is now under interior renovation and is expected to launch for sale in the fourth quarter of year 2020. Upon completion of all renovation, the neighbourhood will be greatly upgraded which provides its residents with a unique living and shopping experience.

The Group acquired the property leasehold rights (and the inherent transfer to China Star Creative Development Limited, a subsidiary of the Company (“CSCDL”) of the legal titles) of Lot 6B, Lot 6C, Lot 6D and Lot 6E at Zona de Aterros do Porto Exterior (ZAPE) (the “Sites”) from Sociedade de Turismo e Diversões de Macau, S. A.. Lot 6B is in trapezium shape with a site area of 1,420 square meters next to Million Dragon Hotel (the hotel was owned by the Group at that time) and Lot 6C, Lot 6D and Lot 6E are in rectangular shape with each site area of 1,292 square meters next to Lot 6B and adjacent of each other with three six-meter width roads dividing them separately. In order to enhance the commercial value of the Sites, the Group had decided to build a luxury residential and commercial complex of two towers with spacious apartment units in Lot 6C, Lot 6D and Lot 6E, i.e. the Project Tiffany House and Lot 6B would be developed into recreational area in front of the Project Tiffany House, which was expected to have higher selling prices than the existing development plan of the individual Lot 6B, Lot 6C, Lot 6D and Lot 6E. This development plan also responded strongly to the local planning authorities requirements for connectivity with the existing city and thus considerable portions of the area of the Sites have been dedicated to public use. Finally, the DSSOPT has approved the combination of development of the Project Tiffany House in July 2016.

Immediately after the acquisition of the property leasehold rights of the Sites, the Group held meetings with various departments of Macau Government to seek their views on the proposed development of the Sites as the combined development of Lot 6B, Lot 6C, Lot 6D and Lot 6E. In May 2012, the Group submitted the architectural design and drawings of the Project Tiffany House to the DSSOPT for approval. Following the submission, meetings have been held with various departments of Macau Government for following up the proposed development plan. Given that the location of the Sites is adjacent to Macao Polytechnic Institute and several tourist spots, Forum de Macao, Grand Prix Museum, Wine Museum and Golden Lotus Square, and is a couple of blocks away from Macau Fisherman’s Wharf and Sands Casino, it is believed that the Macau Government required longer time to study the impacts of the proposed development of the Project Tiffany House on traffic, environment and cultural heritage in the surrounding area, before the grant of an approval. Owing to the delay by the Macau Government in granting the proposed development of the combined development of Lot 6B, Lot 6C, Lot 6D and Lot 6E, the land concession of Lot 6B has expired on 25th December 2014. DSSOPT has started the administration work to reclaim it on dispatch 50/2016 published in the Official Gazette no. 47, II, of 23rd November 2016 according to Macau new Land Law effective in March 2014 for the reason that Lot 6B is undeveloped land on the expiry of the land concession on 25th December 2014. The Group has filed an appeal to the President of the Macau Second Instance Court on 30th December 2016. On 11th June 2018, the Company received a letter dated 8th June 2018 from the Tribunal de Ultima Instancia (終審法院) of the Macau Government, in which the Tribunal de Ultima Instancia (終審法院) rejected the application of the final appeal (the “Decision”). Accordingly, Lot 6B will be reclaimed by the Macau Government.

As stated above, Lot 6B is planned to develop into a recreational area besides the Project Tiffany House and the Group treated the development of the Sites (i.e. the Project Tiffany House and Lot 6B collectively) as one development project in its financial position since the acquisition of the property leasehold rights of the Sites. In addition, in order to increase the chance of combined the development of Lot 6C, Lot 6D and Lot 6E, one of the conditions for DSSOPT to approve the combination of development of the Project Tiffany House was to keep Lot 6B as an undeveloped land. Although Lot 6B will be reclaim by the Macau Government, based on the property valuation report as at 31 December 2019, the market value of the Project Tiffany House is approximately HK\$4,537 million (no value added factor of the recreational area of Lot 6B was included in this valuation) which together is higher than the book value of the cost of the Project Tiffany House and Lot 6B. Given that the valuation of the Sites is higher than its book value, no impairment loss is recognised in respect of the stock of properties as a result of the Decision.

According to the legal opinion obtained by the Company, the Group has legal ground to seek civil claims against the Macau Government for compensation of damages sustained by the Group. In this situation, as Lot 6B is intended to develop as recreational area and the Macau Government has approved the development plan of the Project Tiffany House, the Group considers that it is difficult to sustain its damages incurred. As such, the Group will closely monitor the development of the Project Tiffany House and ensure to maximize its investment return from this project.

Restaurant Operations

In the third quarter of year 2019, the Group opened a new café at Sheung Wan, Hong Kong in the Group's owned property, serving various high-end international cuisine in the brand name of "Obba Bar".

In year 2019, revenue from restaurant operations amounted to HK\$587,000 and its segment loss amounted to HK\$4,083,000.

By using our experience in the catering services in Hotel Lan Kwai Fong Macau in the past few years, the Group has extended its business to catering services which aims to deliver high quality food, luxury ambience and thoughtful service at affordable prices. Our customers are impressed by our services and food provided.

Discontinued Operation

Hotel and Gaming Service Operations

Hotel and gaming service operations was discontinued during the year ended 31st December 2018.

Hotel and gaming service operations included the hotel operation in Hotel Lan Kwai Fong Macau (currently known as Million Dragon Hotel) which was recorded in an indirect wholly owned subsidiary of the Company, Hotel Lan Kwai Fong (Macau) Limited; services provided to the casino situated in Hotel Lan Kwai Fong Macau which was recorded in an indirect wholly owned subsidiary of the Company, Classic Management & Services Company Limited and other ancillary services provided in Hotel Lan Kwai Fong Macau.

As the disposal of Hotel Lan Kwai Fong Macau has been approved by the shareholders of the Company in a special general meeting held on 11th December 2017 and completed on 3rd January 2018, the hotel and gaming service operations was recorded as discontinued operation for the year ended 31st December 2018.

The Group had shared revenue and segment loss for the period from 1st January 2018 to 3rd January 2018 (completion date of disposal) of HK\$3,957,000 and HK\$6,376,000 from the hotel and gaming service operations and recorded a gain on disposal of the hotel and gaming services operations of HK\$1,465,231,000.

Geographical Segments

For the geographical segments from the continuing operations, revenue of HK\$752,000 or 11% (2018: HK\$719,000 or 21%) was sourced from Hong Kong, HK\$5,861,000 or 83% (2018: HK\$1,233,000 or 35%) was sourced from China and HK\$440,000 or 6% (2018: HK\$1,541,000 or 44%) was sourced from other territories.

Administrative Expenses

For the year ended 31st December 2019, administrative expenses from continuing operations amounted to HK\$78,546,000 (2018: HK\$84,312,000), representing a decrease of 7%.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December 2019, the Group had total assets of HK\$5,398,206,000 (2018: HK\$5,483,222,000) and a net current assets of HK\$3,156,891,000 (2018: HK\$3,961,647,000), representing a current ratio of 2.9 (2018: 4.8). The Group had cash and bank balances and time deposits of HK\$498,020,000 (2018: HK\$1,156,735,000).

As at 31st December 2019, the Group had total borrowing of HK\$1,042,644,000 (2018: nil) which comprised a secured bank term loan (the “Term Loan”) of HK\$1,030,150,000 and lease liabilities of HK\$12,494,000. The purpose of the Term Loan is to finance the construction costs and any other soft costs in relation to the Project Tiffany House. The Term Loan is in multiple drawdown and secured by the leasehold land and properties to be erected on the land of the Project Tiffany House with carrying amount as stock of properties of HK\$1,651,619,000, interest bearing at Hong Kong Interbank Offered Rate (“HIBOR”) for three or six month period selected by the borrower plus margin of 3.35% per annum for each interest period and repayable by the earlier of (i) 36 months from date of the agreement of the Term Loan or (ii) 9 month after date of issuing of the occupation permit of the Project Tiffany House i.e. 13th September 2020. The Group has planned to negotiate with the bank to extend the maturity date of the Term Loan to a date after the sales of the Project Tiffany House. No negotiation has started yet and the Group does not foresee any problem with this extension.

As at 31st December 2019, the Group had banking facilities amounting to HK\$1,600,000,000 which were utilised to the extent of HK\$1,030,150,000. The Group’s gearing was acceptable during the year with total debts of HK\$1,042,644,000 against owners’ equity of HK\$3,687,539,000. This represents a gearing ratio, calculated in the basis of the Group’s total borrowings over owners’ equity of 28% (2018: 0%).

As at 31st December 2019, the net proceeds from the allotment and issue of 1,807,406,986 rights shares at the subscription price of HK\$0.25 per share on 6th August 2018 of approximately HK\$448,850,000, of which HK\$350,000,000 was unused and will be used for its intended purpose to finance the business operations of the property development and investment; and HK\$98,850,000 was used to fund the film and television drama series related business operations as intended.

The net proceeds of HK\$50,400,000 from the allotment and issue of 90,000,000 shares from the exercise of 90,000,000 share options during the year ended 31st December 2018 was used as the general working capital of the Group as intended.

As at the date of approving these final results and as at 31st December 2019, the fair value of the Group’s equity securities listed in Hong Kong held at 31st December 2019 (excluding suspend trading securities as at 31st December 2019) was approximately HK\$152,368,000 and HK\$221,432,000 respectively.

During the year, the Group acquired HK\$75,945,000 equity securities listed in Hong Kong and disposed proceeds of HK\$32,495,000 equity securities listed in Hong Kong. The loss arising on change in fair value of financial assets at fair value through profit and loss of HK\$51,987,000 was resulted from change in fair values of equity securities listed in Hong Kong between the year ended 31st December 2018 and 31st December 2019. As at 31st December 2019, no single equity security's fair value held by the Group accounted for 5% or more of the total assets of the Group.

As at 31st December 2019, the Group had loan receivables in carrying amount of HK\$199,127,000 which are interest bearing at 3% to 8% per annum and will matured within the next twelve months. All interest due from loan receivables were received in accordance with the terms in their corresponding agreements on due date except one borrower who has stayed in China since his loan interests due and cannot come back to Hong Kong to settle it. The Group will closely monitor this loan and take appropriate action if necessary.

During the year ended 31st December 2019, no share options of the Company were granted, exercised, lapsed, expired or cancelled.

PLEDGE OF ASSETS

As at 31st December 2019, stock of properties of the Group in amount of HK\$1,651,619,000 (2018: HK\$1,113,595,000) and quota capital of CSCDL which is engaged in the business of property development and investment had been pledged for banking facilities of HK\$1,600,000,000 granted to the Group, and time deposits of the Group in amount of HK\$249,000 (2018: HK\$249,000) had been pledged as guarantee to Macau government for deposits in the development of stock of properties in Macau.

EXCHANGE RISK AND HEDGING

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

COMMITMENTS

As at 31st December 2019, outstanding commitments by the Group amounted to HK\$640,480,000, of which HK\$373,110,000 as development expenditure for stock of properties in Macau, HK\$263,452,000 for film rights, films in progress and film deposits and HK\$3,918,000 as expenditure for leasehold improvement.

CONTINGENT LIABILITIES

As at 31st December 2019, the Group had no material contingent liability.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2019, the Group employed 64 staff (2018: 52 staff) with employee benefit expenses of HK\$43,886,000 (2018: HK\$58,740,000) from the continued operations. 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.

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operation results of the Group. As at the date of approving these final results, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

PROSPECT

Hong Kong has faced great challenges in year 2019 with China-USA trade war and social unrest during the year and COVID-19 outbreak in the beginning of year 2020.

Owing to the fact that film related business operations and property development and investment operations are not able to generate steady periodic revenue, the Group cannot provide stability in its yearly revenue. The Group has extended its business to restaurant operations which can provide relatively steady revenue but it still need time to implement this new business. For the property development and investment operations, Year 2020 is expected to be a fruitful year for the Group as the Project Tiffany House will be launched for sale in the fourth quarter. With Macau's calm, organised handling of coronavirus crisis, the Group has an optimistic attitude towards the property market in Macau and persisting confidence in the prospects of Macau. The Group will continue its furtherance and development of production and distribution operations in its own established film and television drama series. The Group has also undergone various co-operations with well-known film/television drama series production companies to produce new films/television drama series if their plots are attractive in order to increase our production capacity. Given our experience in film and television drama series production and distribution network in the film and television drama series industry, the Group is confident in the production of film and television drama series operations and can maximizing our value and return.

Although the COVID-19 outbreak will not have material impact on the Group's financial position, it may slow down the progress of our business operations. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on our operations and if necessary, rethink our business strategies.

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

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

During the year ended 31st December 2019, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid <i>HK\$</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
May 2019	74,280,000	0.80	0.74	57,795,900
June 2019	<u>15,830,000</u>	0.76	0.75	<u>11,892,000</u>
	<u><u>90,110,000</u></u>			<u><u>69,687,900</u></u>

The above 90,110,000 ordinary shares were cancelled on 19th June 2019.

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

Other than as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2019.

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 2019, 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 throughout the year ended 31st December 2019. The Model Code also applies to other specified senior management of the Group.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

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

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the Group’s consolidated financial statements for the year ended 31st December 2019.

PUBLICATION OF ANNUAL REPORT

The Company's 2019 annual report will be despatched to the shareholders of the Company on or before 30th April 2020 and will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.chinastar.com.hk or www.irasia.com/listco/hk/chinastar).

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

Hong Kong, 30th March 2020

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.