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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2008

FINAL RESULTS

The board of directors 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 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000 (re-presented)
Turnover	3	227,747	78,351
Cost of sales		(19,471)	(49,415)
Gross profit		208,276	28,936
Other revenue	4	7,920	9,076
Other income	5	43,987	8,885
Administrative expenses		(80,141)	(75,451)
Marketing and distribution expenses		(671)	(5,791)
Share-based payment expenses		(7,463)	(17,660)
Net realised and unrealised (loss)/gain on financial assets classified as held-for-trading		(14,877)	22,866
Impairment loss recognised in respect of goodwill		(13,646)	(30,141)
Impairment loss recognised in respect of film rights		(9,760)	(16,850)
(Decrease)/increase in fair value of investment properties		(11,930)	10,220

CONSOLIDATED INCOME STATEMENT (Continued)*For the year ended 31st December 2008*

	<i>Notes</i>	2008 HK\$'000	2007 <i>HK\$'000</i> (re-presented)
Profit/(loss) from operations		121,695	(65,910)
Finance costs		(31,522)	(12,827)
Share of results of associates		(3,303)	56,648
Changes in fair value in respect of conversion options embedded in convertible notes receivable		–	(50)
Discount on acquisition of subsidiaries		–	15,498
Loss on disposal of subsidiaries		(6,170)	(45,471)
Loss on deemed disposal of interests in associates		(17,551)	(49,744)
		<hr/>	<hr/>
Profit/(loss) before taxation	6	63,149	(101,856)
Taxation credit/(charge)	7	2,441	(1,951)
		<hr/>	<hr/>
Profit/(loss) for the year		65,590	(103,807)
		<hr/>	<hr/>
Attributable to:			
Equity holders of the Company		90,604	(92,547)
Minority interests		(25,014)	(11,260)
		<hr/>	<hr/>
		65,590	(103,807)
		<hr/>	<hr/>
Dividend	8		
Final dividend proposed		4,790	–
		<hr/>	<hr/>
Earnings/(loss) per share			
Basic	9	HK\$0.22	(HK\$0.66)
		<hr/>	<hr/>
Diluted	9	HK\$0.22	(HK\$0.66)
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET

At 31st December 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		494,983	7,138
Interests in leasehold land		502,524	5,642
Investment properties		49,930	51,100
Goodwill		24,391	29,062
Intangible assets		989,205	–
Available-for-sale financial assets		16,800	39,900
Convertible notes receivable			
from an associate		–	667
Conversion options embedded in convertible notes receivable			
from an associate		–	222
Interests in associates		–	375,148
		<hr/> 2,077,833	<hr/> 508,879
Current assets			
Inventories		399	301
Film rights		29,753	50,797
Films in progress		18,379	24,948
Trade receivables	10	68,770	51,666
Deposits, prepayments and other receivables		61,077	36,790
Deposits for investments		–	400,000
Held-for-trading investments		25,713	16,600
Loan to a minority shareholder		183,750	–
Amounts due from associates		–	7,359
Prepaid tax		632	456
Cash and bank balances		138,145	22,735
		<hr/> 526,618	<hr/> 611,652
Assets classified as held for sale	12	716	1,187,072
		<hr/> 527,334	<hr/> 1,798,724
Total assets		<hr/> 2,605,167	<hr/> 2,307,603

CONSOLIDATED BALANCE SHEET (Continued)*At 31st December 2008*

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital and reserves			
Share capital		26,612	140,305
Reserves		1,392,099	1,033,828
Equity attributable to equity holders of the Company		1,418,711	1,174,133
Minority interests		284,264	1,328
Total equity		1,702,975	1,175,461
Non-current liabilities			
Bank borrowings – due after one year		280,906	8,523
Unsecured convertible notes		138,390	–
Deferred tax liabilities		88,317	3,466
		507,613	11,989
Current liabilities			
Bank overdraft		174,826	–
Trade payables	11	7,083	17,621
Deposits received, accruals and other payables		69,271	66,018
Bank borrowings – due within one year		102,561	2,418
Amounts due to minority shareholders		40,502	–
Tax payable		336	–
		394,579	86,057
Liabilities associated with assets classified as held for sale	12	–	1,034,096
		394,579	1,120,153
Total liabilities		902,192	1,132,142
Total equity and liabilities		2,605,167	2,307,603
Net current assets		132,755	678,571
Total assets less current liabilities		2,210,588	1,187,450

Notes:

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

In the current year, the Group has applied, for the first time, the following amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on 1st January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the new amendments and interpretations has no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations (the “new HKFRSs”) that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvement to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfers of Assets from Customers ³

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

- ¹ Effective for annual periods beginning on or after 1st January 2009 except for the amendment to HKFRS 5, effective for annual period Beginning on or after 1st July 2009
- ² Effective for annual periods beginning on or after 1st January 2009
- ³ Effective for annual periods beginning on or after 1st July 2009
- ⁴ Effective for annual periods beginning on or after 1st July 2008
- ⁵ Effective for annual periods beginning on or after 1st October 2008

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary.

The Group is in the process of making an assessment of the impact of these new HKFRSs and anticipates that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group and the Company.

2. SEGMENT INFORMATION

In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. There are no sales or trading transaction between the business segments or geographical segments.

Business segments

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

- | | | |
|--------------------------|---|---|
| Film distribution | – | Production and distribution of motion pictures and television drama series |
| Hotel services | – | Provision of hotel services in Macau |
| Gaming and entertainment | – | Investing in operations which receive profit streams from the gaming promotion business |

2. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment information about these business is presented as below:

2008

	Film distribution <i>HK\$'000</i>	Hotel services <i>HK\$'000</i>	Gaming and entertainment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
CONSOLIDATED INCOME STATEMENT					
Turnover	<u>19,141</u>	<u>-</u>	<u>203,327</u>	<u>5,279</u>	<u>227,747</u>
Segment results	<u>(455)</u>	<u>-</u>	<u>203,327</u>	<u>4,733</u>	<u>207,605</u>
Impairment loss recognised in respect of goodwill	(13,646)	-	-	-	(13,646)
Impairment loss recognised in respect of film rights	(9,760)	-	-	-	(9,760)
Decrease in fair value of investment properties					(11,930)
Net realised and unrealised loss on financial assets classified as held-for-trading					(14,877)
Share of loss of associates					(3,303)
Loss on disposal of subsidiaries					(6,170)
Loss on deemed disposal of interests in associates					(17,551)
Unallocated corporate income					51,907
Unallocated corporate expenses					(119,126)
Profit before taxation					<u>63,149</u>
Taxation credit					<u>2,441</u>
Profit for the year					<u><u>65,590</u></u>

2. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2008

	Film distribution <i>HK\$'000</i>	Hotel services <i>HK\$'000</i>	Gaming and entertainment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
CONSOLIDATED BALANCE SHEET					
Assets					
Segment assets	<u>369,633</u>	<u>1,214,264</u>	<u>1,018,529</u>	<u>2,741</u>	2,605,167
Interests in associates					-
Consolidated total assets					<u>2,605,167</u>
Liabilities					
Segment liabilities	<u>218,441</u>	<u>677,347</u>	<u>5</u>	<u>6,399</u>	<u>902,192</u>

OTHER INFORMATION

	Film distribution <i>HK\$'000</i>	Hotel services <i>HK\$'000</i>	Gaming and entertainment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amortisation of film rights	18,593	-	-	-	18,593
Amortisation of interests in leasehold land	129	90	-	-	219
Depreciation of property, plant and equipment	2,139	453	-	-	2,592
Impairment loss recognised in respect of film rights	9,760	-	-	-	9,760
Impairment loss recognised in respect of goodwill	<u>13,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,646</u>

2. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2007

	Film distribution <i>HK\$'000</i>	Hotel services <i>HK\$'000</i>	Gaming and entertainment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
CONSOLIDATED INCOME STATEMENT					
Turnover	<u>58,970</u>	<u>14,046</u>	<u>-</u>	<u>5,335</u>	<u>78,351</u>
Segment results	<u>8,336</u>	<u>9,474</u>	<u>-</u>	<u>5,335</u>	23,145
Impairment loss recognised in respect of goodwill	(30,141)	-	-	-	(30,141)
Impairment loss recognised in respect of film rights	(16,850)	-	-	-	(16,850)
Increase in fair value of investment properties					10,220
Not realised and unrealised gain on financial assets classified as held-for-trading					22,866
Share of profit of associates					56,648
Discount on acquisition of subsidiaries					15,498
Loss on disposal of subsidiaries					(45,471)
Loss on deemed disposal of interests in associates					(49,744)
Unallocated corporate income					17,961
Unallocated corporate expenses					<u>(105,988)</u>
Loss before taxation					(101,856)
Taxation charge					<u>(1,951)</u>
Loss for the year					<u><u>(103,807)</u></u>

2. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2007

	Film distribution <i>HK\$'000</i>	Hotel services <i>HK\$'000</i>	Gaming and entertainment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
CONSOLIDATED BALANCE SHEET					
Assets					
Segment assets	742,326	1,187,072	–	3,057	1,932,455
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	
Interests in associates					375,148
					<u> </u>
Consolidated total assets					2,307,603
					<u> </u>
Liabilities					
Segment liabilities	81,977	1,034,096	–	16,069	1,132,142
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

OTHER INFORMATION

	Film distribution <i>HK\$'000</i>	Hotel services <i>HK\$'000</i>	Gaming and entertainment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amortisation of film rights	43,747	–	–	–	43,747
Amortisation of interests in leasehold land	165	15,259	–	–	15,424
Depreciation of property, plant and equipment	2,891	5,551	–	–	8,442
Impairment loss recognised in respect of film rights	16,850	–	–	–	16,850
Impairment loss recognised in respect of goodwill	30,141	–	–	–	30,141
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

2. SEGMENT INFORMATION (Continued)

Geographical segments

The following table provides an analysis of the Group's sales by location of markets:

2008

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Worldwide other than Hong Kong and Macau <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
CONSOLIDATED INCOME STATEMENT				
Turnover	17,330	203,327	7,090	227,747
Cost of sales	(12,022)	–	(7,449)	(19,471)
Marketing and distribution expenses	(268)	–	(403)	(671)
	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	5,040	203,327	(762)	207,605
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
Net realised and unrealised loss on financial assets classified as held-for-trading	(14,877)	–	–	(14,877)
Decrease in fair value of investment properties	(11,930)	–	–	(11,930)
Impairment loss recognised in respect of goodwill				(13,646)
Impairment loss recognised in respect of film rights				(9,760)
Share of loss of associates				(3,303)
Loss on disposal of subsidiaries				(6,170)
Loss on deemed disposal of interests in associates				(17,551)
Unallocated corporate income				51,907
Unallocated corporate expenses				(119,126)
				<hr/>
Profit before taxation				63,149
Taxation credit				2,441
				<hr/>
Profit for the year				65,590
				<hr/> <hr/>

2. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

2008

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Worldwide other than Hong Kong and Macau <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
CONSOLIDATED BALANCE SHEET				
Assets				
Segment Assets	<u>370,115</u>	<u>2,232,751</u>	<u>2,301</u>	2,605,167
Interests in associates				<u>—</u>
Consolidated total assets				<u>2,605,167</u>
Liabilities				
Segment liabilities	<u>224,749</u>	<u>677,352</u>	<u>91</u>	<u>902,192</u>
	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Worldwide other than Hong Kong and Macau <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
OTHER INFORMATION				
Amortisation of interests in leasehold land	129	90	—	219
Depreciation of property, plant and equipment	<u>2,139</u>	<u>453</u>	<u>—</u>	<u>2,592</u>

2. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

2007

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Worldwide other than Hong Kong and Macau <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
CONSOLIDATED INCOME STATEMENT				
Turnover	62,366	14,046	1,939	78,351
Cost of sales	(42,731)	(4,572)	(2,112)	(49,415)
Marketing and distribution expenses	(5,606)	—	(185)	(5,791)
Segment results	<u>14,029</u>	<u>9,474</u>	<u>(358)</u>	23,145
Net realised and unrealised gain on financial assets classified as held-for-trading	22,866	—	—	22,866
Increase in fair value of investment properties	10,220	—	—	10,220
Impairment loss recognised in respect of goodwill				(30,141)
Impairment loss recognised in respect of film rights				(16,850)
Share of profit of associates				56,648
Discount on acquisition of subsidiaries				15,498
Loss on disposal of subsidiaries				(45,471)
Loss on deemed disposal of interests in associates				(49,744)
Unallocated corporate income				17,961
Unallocated corporate expenses				(105,988)
Loss before taxation				(101,856)
Taxation charge				(1,951)
Loss for the year				<u>(103,807)</u>

2. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

2007

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Worldwide other than Hong Kong and Macau <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
CONSOLIDATED BALANCE SHEET				
Assets				
Segment Assets	<u>743,416</u>	<u>1,187,072</u>	<u>1,967</u>	1,932,455
Interests in associates				<u>375,148</u>
Consolidated total assets				<u>2,307,603</u>
Liabilities				
Segment liabilities	<u>95,877</u>	<u>1,034,096</u>	<u>2,169</u>	<u>1,132,142</u>
	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Worldwide other than Hong Kong and Macau <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
OTHER INFORMATION				
Amortisation of interest in leasehold land	165	15,259	–	15,424
Depreciation of property, plant and equipment	<u>2,891</u>	<u>5,551</u>	<u>–</u>	<u>8,442</u>

3. TURNOVER

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Distribution fee income	19,140	10,285
Sales of film rights	–	48,672
Sales of video products	1	13
Service income	365	300
Production fee income	4,914	5,035
Receive profit streams from the gaming promotion business	203,327	–
Hotel service income	–	14,046
	<u>227,747</u>	<u>78,351</u>

4. OTHER REVENUE

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1,456	3,587
Interest income receivable from convertible notes	40	228
Rental income	312	240
Management fee income from associates	4,860	4,860
Other interest income	1	82
Dividend income	1,251	79
	<u>7,920</u>	<u>9,076</u>

5. OTHER INCOME

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reversal of impairment loss on trade receivables	95	–
Gain on redemption of convertible notes	39,000	2,315
Gain on disposal of property, plant and equipment	–	107
Other	4,892	6,463
	<u>43,987</u>	<u>8,885</u>

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of film rights (included in cost of sales)	18,593	43,747
Auditors' remuneration	610	633
Cost of inventories (included in cost of sales)	1	6
Depreciation of property, plant and equipment	2,592	8,442
Amortisation of interests in leasehold land	219	15,424
Net foreign exchange losses	279	1,109
Change in fair value in respect of conversion options embedded in convertible notes receivable from an associate	–	50
Operating lease rental in respect of rented premises	2,447	3,644
Employee benefit expenses	32,774	36,985
Impairment loss recognised in respect of amount due from associates	25,179	14,975
	<u>25,179</u>	<u>14,975</u>

7. TAXATION CREDIT/(CHARGE)

	2008	2007
	HK\$'000	HK\$'000
The taxation credit/(charge) is as follow:		
Current tax in other jurisdictions:		
Provision for the year	(3)	(15)
Under provision in prior years	—	(358)
	<u>(3)</u>	<u>(373)</u>
Deferred tax:		
Current year	2,444	(1,578)
	<u>2,441</u>	<u>(1,951)</u>

No provision for Hong Kong Profits Tax has been made for both years as the Company and its subsidiaries have no assessable profits arising in Hong Kong or taxable profits were wholly absorbed by estimated tax losses brought forward.

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the year. With effect from the year of assessment 2008/2009, the Hong Kong Profits Tax has been reduced from 17.5% to 16.5%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. DIVIDEND

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Final dividend proposed	<u>4,790</u>	<u>–</u>

The directors recommend a final dividend of HK\$0.001 per share (2007: nil) for the year ended 31st December 2008. Assuming the capital reorganisation as announced by the Company on 26th February 2009 will become effective on 4th May 2009, the final dividend will be adjusted from HK\$0.001 per share (before capital reorganisation) to HK\$0.02 per share (after capital reorganisation).

The dividend proposed after the balance sheet date have not been recognised as a liability at the balance sheet date.

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to equity holders of the Company is based on the following data:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Earnings/(loss) attributable to equity holders of the Company for the purpose of basic and diluted earnings/(loss) per share	<u>90,604</u>	<u>(92,547)</u>
Number of shares	2008	2007 (restated)
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	<u>418,861,793</u>	<u>139,159,327</u>

The weighted average number of ordinary shares for the year ended 31st December 2008 and 31st December 2007 for the purpose of basis and diluted earnings/(loss) per share has been adjusted and restated respectively resulting from share consolidation which effective on 9th May 2008. The computation of diluted earnings/(loss) per share did not assume the conversion of the outstanding convertible notes of the Company since their conversion would result in an increase in earnings per share and a decrease in loss per share respectively and thus anti-dilutive.

10. TRADE RECEIVABLES

The credit period granted to customers ranges from 30 to 90 days. The aged analysis of the trade receivables is as follow:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
Brilliant Art Multi-Media Holding Limited and its subsidiaries		
0 to 30 days	—	12
	<u>—</u>	<u>12</u>
Others		
0 to 30 days	22,721	885
31 to 60 days	339	2,784
61 to 90 days	136	224
91 to 180 days	73	151
Over 180 days	46,862	51,644
	<u>70,131</u>	<u>55,688</u>
Less: Impairment loss on trade receivables	(1,361)	(4,034)
	<u>68,770</u>	<u>51,654</u>
Total	<u>68,770</u>	<u>51,666</u>
Aging of trade receivables which are past due but not impaired:		
61 – 90 days	136	224
Over 90 days	45,574	47,761
	<u>45,710</u>	<u>47,985</u>
Total	<u>45,710</u>	<u>47,985</u>

10. TRADE RECEIVABLES (Continued)

Movement of impairment loss on trade receivables:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
At 1st January	4,034	4,036
Impairment loss recognised	23	–
Written off	(2,601)	(2)
Reversal of impairment loss	(95)	–
	<hr/>	<hr/>
At 31st December	1,361	4,034
	<hr/> <hr/>	<hr/> <hr/>

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$45,710,000 (2007: HK\$47,985,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

In determining the recoverability of trade receivables, the directors of the Company consider any change in the credit quality of the trade receivables from the date credit were initially granted up to the reporting date. Accordingly, the directors of the Company considered provision for impairment in values be made in respect of trade receivables to their recoverable values and believe that there is no further credit provision required in excess of the provision for impairment.

11. TRADE PAYABLES

The aged analysis of the trade creditors is as follows:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
0 to 30 days	650	2,980
31 to 60 days	48	1,174
61 to 90 days	17	5
91 to 180 days	632	167
Over 180 days	5,736	13,295
	<hr/>	<hr/>
	7,083	17,621
	<hr/> <hr/>	<hr/> <hr/>

12. NON-CURRENT ASSETS HELD FOR SALE

- (a) On 3rd December 2008, the Group entered into an agreement to dispose certain of its property, plant and equipment at a total consideration of HK\$11,200,000. Accordingly, the carrying value of these property, plant and equipment was classified as assets held for sale as at 31st December 2008.

12. NON-CURRENT ASSETS HELD FOR SALE (Continued)

- (b) On 1st August 2007, the Company entered into an agreement with China Star Investment Holdings Limited (“China Star Investment”) and Legend Rich Limited, a wholly owned subsidiary of China Star Investment, whereby the Company has agreed to sell and/or procure the sale of 100% of the issued share capital of Exceptional Gain Profits Limited (“Exceptional Gain”) and a sale loan owned by Exceptional Gain to the Company amounted to approximately HK\$409,222,000 as at the date of the agreement for an aggregate consideration of HK\$447,000,000 (the “Proposed Disposal”). Exceptional Gain is the investment holding company which holds 50% interest in Kingsway Hotel Limited (“KHL”), a subsidiary of the Group which operates the hotel operations. The Proposed Disposal was approved by the shareholders of the Company at a special general meeting of the Company held on 24th October 2007 and was expected to complete in May 2008. Accordingly, all the results of the group headed by Exceptional Gain which comprised the hotel operations were classified as discontinued operations and all its assets and liabilities as at 31st December 2007 were classified as assets and liabilities held for sale.

On 23rd December 2008, the Company entered into a termination agreement with China Star Investment and Legend Rich Limited to terminate the Proposed Disposal with immediate effect. The results of the discontinued operations for the year ended 31st December 2007 were re-presented as continuing operations in the consolidated income statement.

- (c) The major classes of assets and liabilities classified as held for sale at the balance sheet date are as follows:

	The Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	716	3,758
Interests in leasehold land	–	517,568
Construction in progress	–	274,196
Inventories	–	213
Trade receivables	–	1,462
Deposits, prepayment and other receivables	–	12,773
Loan to a minority shareholder	–	196,000
Cash and cash equivalents	–	181,102
	<hr/>	<hr/>
Assets classified as held for sale	716	1,187,072
	<hr/>	<hr/>
Bank overdraft	–	146,516
Trade payables	–	2,150
Accruals and other payables	–	4,170
Amounts due to minority shareholders	–	40,502
Tax payables	–	609
Deferred taxation	–	80,888
Bank borrowings	–	450,000
Minority interests	–	309,261
	<hr/>	<hr/>
Liabilities associated with assets classified as held for sale	–	1,034,096
	<hr/>	<hr/>
Net assets classified as held for sale	716	152,976
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Following the termination of the Proposed Disposal (defined below), all corresponding results in the income statement for the year ended 31st December 2007 were re-presented to conform with the current year's presentation. Details are disclosed in the section "Termination of the Proposed Disposal of Exceptional Gain Profits Limited and Kingsway Hotel Limited".

For the year ended 31st December 2008, the Group's turnover increased by 191% to approximately HK\$227,747,000 (2007: HK\$78,351,000).

Profit from operations and profit for the year amounted to approximately HK\$121,695,000 and HK\$65,590,000 respectively as compared to loss from operations and loss for the year of HK\$65,910,000 and HK\$103,807,000 respectively for last year. The turnaround of the current year's result was mainly attributable to contribution from the sharing of profit streams from investments in gaming and entertainment business in Macau after the acquisition of the entire equity interest in Best Mind International Inc. ("Best Mind").

The profit attributable to equity holders of the Company for the year ended 31st December 2008 was HK\$90,604,000, representing a 198% improvement over loss of HK\$92,547,000 in the last year.

Dividend

The directors recommend a final dividend of HK\$0.001 per share (2007: nil) for the year ended 31st December 2008. Assuming the capital reorganisation as announced by the Company on 26th February 2009 will become effective on 4th May 2009, the final dividend will be adjusted from HK\$0.001 per share (before capital reorganisation) to HK\$0.02 per share (after capital reorganisation).

Business Review

Of the total turnover amount, HK\$203,327,000 or 89% was generated from gaming and entertainment business, HK\$19,141,000 or 8% was generated from film distribution business, HK\$5,279,000 or 3% was generated from production services and other service income.

This year, the Group has successfully completed the acquisition of 100% equity interest in Best Mind, the profit receiving company from Ocho Sociedade Unipessoal Limitada ("Ocho"), one of the leading gaming junkets at one of the VIP gaming rooms at the Grand Lisboa Casino in Macau. The sound performance of Best Mind has exceeded our expectation as the Group had shared revenue of approximately HK\$203,327,000 from the gaming and entertainment business, a 34% higher than the guarantee profit of approximately HK\$151,385,000 for the same period as provided by Mr. Ng Cheuk Fai, the guarantor in this acquisition transaction and the beneficial owner in Ocho.

For the film distribution business, the Group had released only 2 new films in the market in response to the weak market condition of the entertainment industry in these years, especially for the Chinese language films. In year 2008, turnover for film distribution division amounted to HK\$19,141,000 (2007: HK\$58,970,000) and its segment results amounted to loss of HK\$455,000 (2007: profit of HK\$8,336,000) respectively. The decrease in turnover was mainly attributable to partial income from sale of film rights of 100 titles in our film library was recorded in the last year. The segment loss was attributable to sales of certain old titles at lower prices during the year. The marketing and distribution expenses for the year ended 31st December 2008 was HK\$671,000, representing a 88% decrease from HK\$5,791,000 for the last corresponding year. In response to the weak film market, the Group had reassessed the recoverable amount of the cash generating unit allocated to film distribution business and the carrying value of film rights at 31st December 2008 and recognised impairment of HK\$13,646,000 and HK\$9,760,000 respectively.

For the geographical segments, turnover for Hong Kong segment amounted to HK\$17,330,000 or 8% of the total turnover as compared to HK\$62,366,000 or 80% of total turnover in the last year. Segment results amounted to HK\$5,040,000 as compared to HK\$14,029,000 in the last year. The decrease in turnover and segment profit by the Hong Kong segment was mainly attributable to partial income from sale of film rights of 100 titles in our film library was recorded in the last year.

Turnover for Macau segment amounted to HK\$203,327,000 or 89% of the total turnover as compared to HK\$14,046,000 or 18% of total turnover in the last year. Segment results amounted to HK\$203,327,000 as compared to HK\$9,474,000 in the last year. This year's revenue mainly represented revenue derived from sharing of profit streams from investments in gaming and entertainment business in Macau. Turnover for Macau segment for the year 2007 mainly represented provision of hotel services by Kingsway Hotel Limited ("KHL") which ceased business in June 2007 and is now under renovation. Therefore, KHL does not contribute any revenue during the year.

For the year ended 31st December 2008, administrative expenses (net of amortisation of leasehold land and depreciation on property, plant and equipment) amounted to HK\$77,330,000, a 50% increase from HK\$51,585,000 as compared to the last corresponding year. The increase was mainly attributable to an impairment on amount due from associates of HK\$25,179,000 for the year.

Finance costs for the year ended 31st December 2008 amounted to HK\$31,522,000, an 146% increase from HK\$12,827,000 as compared to the last corresponding year. The substantial increase in finance costs was attributable to the issue of an aggregate principal amount of HK\$384,000,000 unsecured convertible notes ("Convertible Notes") as part of the consideration for the acquisition of Best Mind. In accordance with Hong Kong Accounting Standard 39 issued by the Hong Kong Institute of Certified Public Accountants, interest expenses of HK\$13,729,000 for the Convertible Notes were calculated using the prevailing market interest rate of similar instruments of 7.75% per annum, instead of the actual coupon rate of 5% per annum.

Liquidity and Financial Resources

As at 31st December 2008, the Group had total assets of approximately HK\$2,605,167,000 and a net current assets of HK\$132,755,000, representing a current ratio of 1.3 (2007: 1.6). The Group had cash and bank balances of approximately HK\$138,145,000 (2007: HK\$203,837,000, of which HK\$181,102,000 classified as assets held for sale). As at 31st December 2008, the Group had total borrowings of HK\$696,683,000 comprising a bank overdraft of HK\$174,826,000, a bank mortgage loan of HK\$8,467,000, a secured bank term loan of HK\$375,000,000 and an outstanding convertible notes with liabilities component of HK\$138,390,000. The bank mortgage loan was secured by the Group's investment properties with carrying value of HK\$40,880,000, interest bearing at 2.5% below the Hong Kong Prime Lending Rate per annum and repayable by 61 monthly instalments. The bank overdraft facility and the term loan were secured by the Group's leasehold land, building and construction in progress with carrying value of approximately HK\$991,034,000 (2007: HK\$794,813,000, classified as assets held for sale). The term loan was repayable by 18 equal consecutive quarterly installments of HK\$25,000,000 each commencing from the 9th month after the date of the first loan drawdown. The overdraft facility was repayable on demand and reviewed annually by the bank. The outstanding convertible notes were unsecured, interest bearing at coupon rate of 5% per annum and will matured on 17th May 2012. The convertible notes carry the right to convert into shares of the Company at an adjusted conversion price of HK\$3.0 per share as of 31st December 2008. As at 31st December 2008, KHL, a subsidiary of the Company had banking facilities amounting to HK\$575,000,000 which were utilised to the extent of HK\$549,826,000. The Group's gearing remained reasonable during the year with total debts of HK\$696,683,000 against shareholders' funds of HK\$1,418,711,000. This represents a gearing ratio, calculated in the basis of the Group's total borrowings over shareholders' fund of 49%.

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong Dollars, Macau Patacas and United States Dollars, the exposure to fluctuation in exchange rates was considered to be minimal and no hedging activity was considered necessary. As at 31st December 2008, the Group had no contingent liability.

On 11th December 2007, the Company entered into a placing agreement with a placing agent and had conditionally agreed to place on a fully underwritten basis an aggregate 1,400,000,000 new shares to independent investors at a price of HK\$0.12 per share. 1,400,000,000 new shares was issued on 29th February 2008 under the general mandate granted to the directors of the Company at the special general meeting of the Company held on 24th January 2008. The net proceeds of approximately HK\$163,500,000 was used for the acquisition of Best Mind.

On 18th March 2008, the Company had issued 236,333,333 new shares at a price of HK\$0.3 per share as part of the consideration upon completion for the acquisition of Best Mind.

On 9th May 2008, the Company completed a capital reorganisation comprising (i) share consolidation that every 10 issued and unissued shares be consolidated into 1 consolidated share of the Company; (ii) capital reduction that the nominal value of all issued and unissued consolidated shares be reduced from HK\$0.50 each to HK\$0.05 each; and (iii) share premium cancellation that the entire amount of HK\$1,356,449,856.32 in the share premium account of the Company as at 31st December 2007 be cancelled and credit to the contributed surplus account of the Company, a sum of approximately HK\$864,665,000 in the contributed surplus of the Company be applied to set off against the accumulated losses of the Company as at 31st December 2006.

On 1st December 2008, the Company entered into a placing agreement with a placing agent to place on a fully underwritten basis an aggregate 88,000,000 new shares to independent investors at a price of HK\$0.102 per share. 88,000,000 new shares was issued on 23rd December 2008 under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 28th June 2008. The net proceeds of approximately HK\$8,800,000 was intended to be used for the Subscription (defined below).

On 4th December 2008, the Company announced that China Star Production Services Limited, a wholly owned subsidiary of the Company entered into a Memorandum of Agreement with Hong Kong Movie City Company Limited to dispose a number of system/unit used for post production process to the final cut of films for a total consideration of HK\$11,200,000. This disposal constituted a discloseable transaction for the Company under the Listing Rules. This disposal has not yet completed as at 31st December 2008 and the assets to be disposed was classified as assets held for sale accordingly.

On 8th December 2008, the Company announced that it proposed to subscribe the zero coupon convertible notes in principal amount of HK\$60 million to be issued by Golife Concepts Holdings Limited (“Golife”) in five tranches of HK\$12 million each due on the tenth anniversary of the date of issue for such tranche (“Subscription”) and to be convertible into shares of Golife at an initial conversion price of HK\$0.05 per share of Golife. The Subscription was approved by the shareholders at a special general meeting of the Company on 23rd January 2009. On 29th January 2009, Golife demanded subscription of HK\$60 million convertible notes and the Company subscribed the HK\$60 million convertible notes at the same date.

At the same date, the Company also announced that 1,064,486,080 offer shares at a subscription price of HK\$0.05 each on the basis of two offer shares for every shares held on 23rd January 2009 with bonus issue on the basis of three bonus shares for every one offer share taken up under the open offer of the Company. The estimated net proceeds of not less than approximately HK\$42,000,000 was intended to be used for the Subscription. The offer shares and the bonus shares were issued on 26th February 2009.

Subsequent to the balance sheet date, the authorised share capital of the Company increased from HK\$100,000,000 divided into 2,000,000,000 shares of HK\$0.05 each to HK\$500,000,000 divided into 10,000,000,000 shares of HK\$0.05 each on 29th January 2009.

On 26th February 2009, the board of directors of the Company announced that the Company intended to put forward to the shareholders of the Company for their approval a proposal involving capital reorganisation of the Company comprising (i) share consolidation that every 20 issued and unissued shares of HK\$0.05 each be consolidated into 1 consolidated share of HK\$1.00 each of the Company (“Consolidated Share(s)”); (ii) capital reduction that the issued share capital of the Company be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$0.99 on each of the issued Consolidated Share such that the nominal value of each issued Consolidated Share will be reduced from HK\$1.00 to HK\$0.01 and the credit arising from the reduction of issued share capital of the Company be credited to the contributed surplus account of the Company; and (iii) share subdivision that the each of the authorised but unissued Consolidated Shares of HK\$1.00 each be subdivided into 100 new shares of HK\$0.01 each.

On 11th March 2009, the Company entered into a loan agreement with China Star Investment, a company which the directors of the Company have beneficial interest and its shares are listed on the main board of the Stock Exchange. China Star Investment agreed to grant an unsecured loan facility of up to HK\$200,000,000 (the “Loan Facility”) to the Company. Details of the Loan Facility were set out in the circular of China Star Investment dated 30th March 2009.

Material Acquisition

Best Mind International Inc.

On 18th March 2008, the Company had completed the acquisition of 100% issued share capital of Best Mind at an aggregate consideration of HK\$1,054,900,000 satisfied as to HK\$600,000,000 in cash, HK\$384,000,000 by the issue of 5% convertible notes at an initial conversion price of HK\$0.30 per share and the balance of HK\$70,900,000 by the allotment and issue of 236,333,333 shares credited as fully paid. Best Mind becomes a subsidiary of the Group and starts to contribute cash profit to the Group.

Best Mind had entered into profit agreement with Ocho, a Macau company engaged in the gaming promotion business, to acquire 0.4% of the rolling turnover generated by Ocho and/or its customers at one of the VIP gaming rooms operated by Ocho at the Grand Lisboa Casino in Macau. Mr. Ng Cheuk Fai, the guarantor in the acquisition agreement and the beneficial owner in Ocho, has guaranteed to Best Mind that the profit to be received by Best Mind shall not be less than HK\$264,000,000 and HK\$120,000,000 during the period from 17th August 2007 to 31st December 2008 and the period from 1st January 2009 to 16th August 2009 respectively. During the period from 18th March 2008 to 31st December 2008, the Group had recorded revenue of HK\$203,327,000 from the gaming and entertainment related business.

Material Disposals

Classical Statue Limited (“CSL”), China Star Investment Holdings Limited and Brilliant Arts Multi-Media Holding Limited

On 13th May 2008, the Company’s wholly owned subsidiary, China Star Entertainment (BVI) Limited entered into a sale and purchase agreement with Glenstone Investments Limited, a substantial shareholder of the Company to dispose the entire issued share capital of CSL for a cash consideration of HK\$330,567,000. CSL’s major assets are the 58,360,612 shares of China Star Investment, representing 29.90% of the issued share capital of China Star Investment at date of agreement; 109,090,908 shares in Brilliant Arts, representing approximately 8.68% of the issued share capital of Brilliant Arts at date of agreement; and a convertible bond receivable from Brilliant Arts with principal face value of HK\$1,000,000. The disposal had completed on 18th August 2008.

The Group recognised a loss on disposal of approximately HK\$14,897,000 upon completion of the disposal.

Termination of the Proposed Disposal of Exceptional Gain Profits Limited and Kingsway Hotel Limited

On 1st August 2007, the Company entered into an agreement with Legend Rich Limited, a wholly-owned subsidiary of China Star Investment, an associate of the Group, and China Star Investment relating to the sale of 100% of the issued share capital of Exceptional Gain and the relevant sale loan for an aggregate consideration of HK\$447,000,000 (“Proposed Disposal”). Exceptional Gain is an investment holding vehicle which indirectly holds 50% interest in KHL. The principal asset of KHL is Kingsway Hotel (renamed as Hotel Lan Kwai Fong, Macau), a three star hotel with a total 383 guests rooms locate in Macau. Kingsway Hotel ceased its operation from end of June 2007 and is currently under renovation to becoming a luxury boutique hotel. Following the completion of the Proposed Disposal, KHL will cease to be a subsidiary of the Company.

The Proposed Disposal was approved by the shareholders of the Company at a special general meeting of the Company held on 24th October 2007 and was expected to complete before end of year 2008. Accordingly, all the results of the group headed by Exceptional Gain which comprised the hotel operations were classified as discontinued operations for the year ended 31st December 2007 and all its assets and liabilities as at 31st December 2007 were classified as assets and liabilities held for sale.

The Proposed Disposal was subsequently terminated on 23rd December 2008. The completion of the Proposed Disposal had hinged on the release of the security given by the Company relating to KHL to be replaced security given by China Star Investment. It did not appear that the relevant security would be released anytime soon by the relevant bank and as such the parties had determined not to keep their shareholders and investors lingering on the status of the Proposed Disposal.

Following the termination of the Proposed Disposal, all corresponding results for the year ended 31st December 2007 were re-presented to conform with the current year's presentation.

Employees

As at 31st December 2008, the Group employed 93 staffs (2007: 78 staffs). 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, medical schemes and discretionary bonuses, options are awarded to certain staffs according to the assessment of individual performance.

Prospect

During the year under review, the Group has successfully diversified its business into the gaming and entertainment business and broadens the Group's revenue sources and provides stable cash income to the Group. The performance of this new business is encouraging. Despite the tightening of travel restrictions for Mainland Chinese travelers to visit Macau in late 2008 may have impact on Macau's gaming revenue growth over the last few months, the performance of the gaming and entertainment business remains strong and the Group is optimistic in the potential growth of China and Macau in the medium and long term growth. The Group believes that travel restrictions would be short term and the Macau gaming and entertainment business would growth internationally when its infrastructural development becomes more matured. The income stream of the Group will become more solid and stable following the grand opening of Hotel Lan Kwai Fong, Macau (formerly known as Kingsway Hotel) in around Mid 2009.

Besides, the Group will continue its strength in the production of high quality films with stringent control and cautious measure on capital investment and efficient management.

Looking ahead, the Group will streamline its business operations which can enables the Group to operate in a much cost effective manner, such as the disposal of CSL and concentrate its resources on investments opportunity with good potential of revenue growth and a positive impact on the Group's return in the long run.

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 2008.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company is responsible for ensuring high standards of corporate governance are maintained and for accounting to shareholders. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules for the year ended 31st December 2008, 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.

The information on the Company’s compliance of the Code and deviation from certain code provisions of the Code for the year ended 31st December 2008 is set out in the Corporate Governance Report to be included in the Company’s 2008 annual report which will be sent to the shareholders of the Company on or before 30th April 2009.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company comprises Messrs. Hung Cho Sing, Ho Wai Chi, Paul and Leung Hok Man, 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 2008.

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 2008. The Model Code also applies to other specified senior management of the Group.

PUBLICATION OF ANNUAL REPORT

The Company's 2008 annual report will be despatched to the shareholders of the Company on or before 30th April 2009 and will be published on the Stock Exchange's website and the Company's website.

By Order of the Board
Heung Wah Keung
Chairman

Hong Kong, 27th April 2009

As at the date hereof, the executive Directors are Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung and the independent non-executive Directors are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Leung Hok Man.