



The board of directors (the "Board") of China Star Entertainment Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2015 together with comparative figures as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30th June 2015

		<b>Six months ended 30th June</b>	
	Notes	<b>2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2014 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
Revenue	4	<b>554,457</b>	601,674
Cost of sales		<b>(290,671)</b>	(281,218)
Gross profit		<b>263,786</b>	320,456
Other revenue	5	<b>43,193</b>	16,261
Other income	6	<b>1,388</b>	38
Administrative expenses		<b>(187,043)</b>	(194,465)
Marketing, selling and distribution expenses		<b>(44,235)</b>	(21,592)
Other operating expenses		<b>(52,463)</b>	(6,634)
Gain on disposal of subsidiaries		-	1,286
Gain arising on change in fair value of financial assets classified as held for trading investments		<b>156,275</b>	12,578
Profit from operations		<b>180,901</b>	127,928
Finance costs	7	<b>(12,352)</b>	(10,547)
Share of results of joint ventures		<b>(69)</b>	(642)
Profit before tax	8	<b>168,480</b>	116,739
Income tax credit	9	<b>47</b>	59
Profit for the period from continuing operations		<b>168,527</b>	116,798
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	10	-	(1,660)
Profit for the period		<b>168,527</b>	115,138
Profit/(loss) for the period attributable to:			
Owners of the Company		<b>168,528</b>	114,790
Non-controlling interests		<b>(1)</b>	348
		<b>168,527</b>	115,138

**CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)**

For the six months ended 30th June 2015

	Notes	Six months ended 30th June 2015 HK cents (Unaudited)	2014 HK cents (Unaudited)
<b>Earnings/(loss) per share</b>			
From continuing and discontinued operations			
Basic	//	<u><u>1.03</u></u>	<u><u>1.03</u></u>
Diluted	//	<u><u>1.01</u></u>	<u><u>1.03</u></u>
From continuing operations			
Basic	//	<u><u>1.03</u></u>	<u><u>1.04</u></u>
Diluted	//	<u><u>1.01</u></u>	<u><u>1.04</u></u>
From discontinued operation			
Basic	//	<u><u>N/A</u></u>	<u><u>(0.01)</u></u>
Diluted	//	<u><u>N/A</u></u>	<u><u>(0.01)</u></u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

Details of dividend are set out in note 12 to the condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30th June 2015

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30th June 2015

	Notes	At 30th June 2015 HK\$'000 (Unaudited)	At 31st December 2014 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	13	501,999	513,929
Interests in leasehold land		430,034	441,613
Investment property	13	6,300	6,190
Intangible assets	14	24,479	25,353
Interests in joint ventures		44	113
		<u>962,856</u>	<u>987,198</u>
<b>Current assets</b>			
Inventories		62,531	73,073
Stock of properties		567,754	566,363
Film rights		14,591	14,591
Films in progress	15	325,819	79,390
Trade receivables	16	183,025	115,636
Deposits, prepayments and other receivables	17	75,976	662,033
Loan receivables	18	1,100,000	600,000
Held for trading investments	19	362,766	36,332
Amount due from a joint venture		210	–
Amounts due from non-controlling interests		454	–
Prepaid tax		230	240
Cash and bank balances		1,107,410	323,939
		<u>3,800,766</u>	<u>2,471,597</u>
<b>Total assets</b>		<u><b>4,763,622</b></u>	<u><b>3,458,795</b></u>
<b>Capital and reserves</b>			
Share capital	20	188,276	159,397
Reserves		3,290,792	2,762,686
		<u>3,479,068</u>	<u>2,922,083</u>
Equity attributable to owners of the Company		(427)	(426)
Non-controlling interests			
<b>Total equity</b>		<u><b>3,478,641</b></u>	<u><b>2,921,657</b></u>

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

At 30th June 2015

	Notes	At 30th June 2015 HK\$'000 (Unaudited)	At 31st December 2014 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Bank borrowings	21	850,000	–
Obligations under finance leases		699	819
Deferred tax liabilities		83,223	83,270
		<u>933,922</u>	<u>84,089</u>
<b>Current liabilities</b>			
Bank borrowings	21	133,308	315,819
Obligations under finance leases		243	247
Trade payables	22	36,095	39,136
Deposits received, accruals and other payables	23	181,388	97,528
Amounts due to joint ventures		25	25
Amounts due to non-controlling interests		–	294
		<u>351,059</u>	<u>453,049</u>
<b>Total liabilities</b>		<u>1,284,981</u>	<u>537,138</u>
<b>Total equity and liabilities</b>		<u>4,763,622</u>	<u>3,458,795</u>
<b>Net current assets</b>		<u>3,449,707</u>	<u>2,018,548</u>
<b>Total assets less current liabilities</b>		<u>4,412,563</u>	<u>3,005,746</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30th June 2015

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Exchange reserve	Statutory reserve	Share-based payment reserve	Convertible bonds reserve	Capital reduction reserve	Accumulated losses	Sub-total		
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
At 1st January 2014 (Audited)	65,673	112,929	1,744,694	1,006	291	61,881	7,905	316,008	(675,673)	1,634,714	(2,228)	1,632,486
Profit for the period	-	-	-	-	-	-	-	-	114,790	114,790	348	115,138
Other comprehensive (loss)/ income for the period	-	-	-	(53)	-	-	-	-	-	(53)	20	(33)
Total comprehensive (loss)/ income for the period	-	-	-	(53)	-	-	-	-	114,790	114,737	368	115,105
Issue of new shares upon open offer	26,269	302,096	-	-	-	-	-	-	-	328,365	-	328,365
Issue of new bonus convertible bonds	-	-	-	-	-	-	943	-	-	943	-	943
Placement of shares	32,000	368,000	-	-	-	-	-	-	-	400,000	-	400,000
Conversion of convertible bonds	20,455	209,150	-	-	-	-	(8,338)	-	-	221,267	-	221,267
Released of deferred tax upon redemption of convertible bonds	-	-	-	-	-	-	622	-	-	622	-	622
Share issuing expenses	-	(5,904)	-	-	-	-	-	-	-	(5,904)	-	(5,904)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	(770)	(770)	770	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,090	1,090
At 30th June 2014 (Unaudited)	<u>144,397</u>	<u>986,271</u>	<u>1,744,694</u>	<u>953</u>	<u>291</u>	<u>61,881</u>	<u>1,132</u>	<u>316,008</u>	<u>(561,653)</u>	<u>2,693,974</u>	<u>-</u>	<u>2,693,974</u>
At 1st January 2015 (Audited)	159,397	1,104,622	1,744,694	836	291	54,040	1,132	316,008	(458,937)	2,922,083	(426)	2,921,657
Profit/(loss) for the period	-	-	-	-	-	-	-	-	168,528	168,528	(1)	168,527
Other comprehensive loss for the period	-	-	-	(73)	-	-	-	-	-	(73)	-	(73)
Total comprehensive (loss)/ income for the period	-	-	-	(73)	-	-	-	-	168,528	168,455	(1)	168,454
Placement of shares	28,879	317,669	-	-	-	-	-	-	-	346,548	-	346,548
Recognition of equity-settled share-based payments	-	-	-	-	-	51,986	-	-	-	51,986	-	51,986
Share issuing expenses	-	(10,004)	-	-	-	-	-	-	-	(10,004)	-	(10,004)
At 30th June 2015 (Unaudited)	<u>188,276</u>	<u>1,412,287</u>	<u>1,744,694</u>	<u>763</u>	<u>291</u>	<u>106,026</u>	<u>1,132</u>	<u>316,008</u>	<u>(290,409)</u>	<u>3,479,068</u>	<u>(427)</u>	<u>3,478,641</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30th June 2015

	<b>Six months ended 30th June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Operating activities</b>		
Other cash flows (used in)/generated from operating activities	(144,735)	112,889
Tax refund/(paid)	<u>10</u>	<u>(79)</u>
<b>Net cash (used in)/generated from operating activities</b>	<b><u>(144,725)</u></b>	<b><u>112,810</u></b>
<b>Investing activities</b>		
Loan advance to third parties	(500,000)	(400,000)
Purchase of held for trading investments	(345,224)	(2,359)
Proceeds from disposal of held for trading investments	175,065	28,288
Refund of deposit paid for investment	600,000	-
Deposit paid for investment	-	(600,000)
Net cash inflows arising on disposal of subsidiaries	-	59,453
Other cash flows generated from/(used in) investing activities	<u>6,366</u>	<u>(8,857)</u>
<b>Net cash used in investing activities</b>	<b><u>(63,793)</u></b>	<b><u>(923,475)</u></b>
<b>Financing activities</b>		
Placement of shares	346,548	400,000
Share issuing expenses	(10,004)	(5,904)
Issue of new shares upon open offer	-	328,365
New bank loan raised	1,027,270	24,505
Repayment of bank loans	(359,781)	(53,532)
Other cash flows used in financing activities	<u>(11,971)</u>	<u>(9,485)</u>
<b>Net cash generated from financing activities</b>	<b><u>992,062</u></b>	<b><u>683,949</u></b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>783,544</b>	<b>(126,716)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>323,939</b>	<b>390,241</b>
<b>Effect of foreign exchange rate changes</b>	<b><u>(73)</u></b>	<b><u>46</u></b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,107,410</b>	<b>263,571</b>
Cash and bank balances	<u><u>1,107,410</u></u>	<u><u>263,571</u></u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June 2015

### 1. BASIS OF PREPARATION

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

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

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

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

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

**3. SEGMENT INFORMATION**

The Group determines its operating segments based on the reports reviewed by the directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and performance assessment between segments and that are used for strategic decision-making.

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

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

**Continuing operations**

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

**Discontinued operation for the six months ended 30th June 2014**

- Nam Pei Hong operations – Sales of Chinese and other medicines pharmaceutical products, health products, ginseng and dried seafood products to wholesalers and retailer as well as Chinese clinical services

On 11th June 2014, the Group decided to dispose of its entire 50% equity interest in Ace Season Holdings Limited (“Ace Season”) and its subsidiaries which engaged in Nam Pei Hong operations. Thus, Nam Pei Hong operations had classified as discontinued operation during the six months ended 30th June 2014.

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

The segment information of discontinued operation is disclosed in note 10 to the condensed consolidated financial statements.

### 3. SEGMENT INFORMATION (Continued)

#### (a) Segment revenue and results

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

#### Continuing operations

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

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

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

**3. SEGMENT INFORMATION (Continued)**

**(b) Geographical information**

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

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

**4. REVENUE**

**Continuing operations**

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



**6. OTHER INCOME**

	<b>Six months ended 30th June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Continuing operations</b>		
Net foreign exchange gain	1,360	–
Others	28	38
	<u>1,388</u>	<u>38</u>

For the period from 1st January 2014 to respective date of disposal of subsidiaries

**Discontinued operation**  
Others

<b>Six months ended 30th June 2015</b>	<b>HK\$'000</b>	<b>(Unaudited)</b>	<b>2014</b>	<b>HK\$'000</b>	<b>(Unaudited)</b>
	–		2		
	<u>–</u>		<u>2</u>		

**7. FINANCE COSTS**

	<b>Six months ended 30th June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Continuing operations</b>		
Interest on:		
Bank borrowings wholly repayable:		
– within five years	2,489	5,944
– over five years	9,845	–
Finance leases	18	3
Imputed interest on convertible bonds	–	4,600
	<u>12,352</u>	<u>10,547</u>

## 7. FINANCE COSTS (Continued)

	For the period from 1st January 2014 to respective date of disposal of subsidiaries HK\$'000 (Unaudited)
<b>Six months ended 30th June 2015 HK\$'000 (Unaudited)</b>	

### Discontinued operation

Interest on:

Bank borrowings – wholly repayable within five years

-	157
<u>-</u>	<u>157</u>

## 8. PROFIT BEFORE TAX

	Six months ended 30th June 2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Continuing operations</b>		

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

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

**8. PROFIT BEFORE TAX (Continued)**

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

**9. INCOME TAX CREDIT**

	<b>Six months ended 30th June</b>	2014
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Continuing operations</b>		
Deferred tax:		
Current period	<b>47</b>	59
	<b>=====</b>	<b>=====</b>

	<b>Six months ended</b>	For the period
	<b>30th June 2015</b>	from 1st January
	<b>HK\$'000</b>	2014 to
	<b>(Unaudited)</b>	respective date
		of disposal of
		subsidiaries
		<b>HK\$'000</b>
		<b>(Unaudited)</b>
<b>Discontinued operation</b>		
Deferred tax:		
Current period	-	90
	<b>=====</b>	<b>=====</b>



## 9. INCOME TAX CREDIT (Continued)

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

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

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

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

## 10. DISCONTINUED OPERATION

### Nam Pei Hong operations

On 11th June 2014, the Group entered into a sale and purchase agreement to dispose of the entire 50% equity interest in Ace Season and its subsidiaries, which carried out the Nam Pei Hong operations. The disposal was completed on 11th June 2014, on which date the control of Nam Pei Hong operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the loss on disposal, are disclosed in note 28(c) to the condensed consolidated financial statements.

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

	<b>Six months ended 30th June 2015 HK\$'000 (Unaudited)</b>	For the period from 1st January 2014 to respective date of disposal of subsidiaries HK\$'000 (Unaudited)
Profit of Nam Pei Hong operations for the period	-	6
Loss on disposal of Nam Pei Hong operations (see note 28(c))	-	(1,666)
	<u>-</u>	<u>(1,660)</u>

**10. DISCONTINUED OPERATION (Continued)****Nam Pei Hong operations (Continued)**

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

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



## 10. DISCONTINUED OPERATION (Continued)

### Nam Pei Hong operations (Continued)

Cash flow from discontinued operation was as follows:

	<b>Six months ended 30th June 2015 HK\$'000 (Unaudited)</b>	For the period from 1st January 2014 to respective date of disposal of subsidiaries HK\$'000 (Unaudited)
Net cash inflows from operating activities	-	12,929
Net cash outflows from investing activities	-	(2,689)
Net cash outflows from financing activities	-	(4,045)
	<hr/>	<hr/>
Net cash inflows	<b>-</b>	<b>6,195</b>
	<hr/> <hr/>	<hr/> <hr/>



## 11. EARNINGS/(LOSS) PER SHARE

### From continuing and discontinued operations

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

	<b>Six months ended 30th June 2015 HK\$'000 (Unaudited)</b>	2014 HK\$'000 (Unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<b>168,528</b>	114,790
	<hr/> <hr/>	<hr/> <hr/>

**11. EARNINGS/(LOSS) PER SHARE (Continued)****From continuing and discontinued operations (Continued)**

	<b>Six months ended 30th June</b>	
	<b>2015</b>	2014
	<b>'000</b>	'000
<b>Numbers of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>16,301,249</b>	11,165,013
Effect of dilutive potential ordinary shares:		
– Share options	<b>462,398</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>16,763,647</u></b>	<u>11,165,013</u>

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

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

## 11. EARNINGS/(LOSS) PER SHARE (Continued)

### From continuing operations

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

<b>Six months ended 30th June</b>	<b>2015</b>	<b>2014</b>
<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>

### Earnings

Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)

<b>168,528</b>	<b>116,450</b>
----------------	----------------

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

### From discontinued operation

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

<b>Six months ended</b>	<b>30th June 2015</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		For the period from 1st January 2014 to	respective date of disposal of subsidiaries

### Loss

Loss for the purpose of basic and diluted loss per share (loss attributable to owners of the Company)

<b>-</b>	<b>(1,660)</b>
----------	----------------

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

## 12. DIVIDEND

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

**13. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY****(a) Acquisition**

During the six months ended 30th June 2015, the Group acquired items of property, plant and equipment with a cost of approximately HK\$22,866,000 (six months ended 30th June 2014: HK\$10,252,000).

**(b) Valuation**

The valuation of investment property carried at fair value were updated at 30th June 2015 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out valuations on 31st December 2014. As a result of the update, gain on fair value change of investment property with the amount of HK\$110,000 (six months ended 30th June 2014: nil) has been recognised in condensed consolidated income statement for the period in respect of investment property.

**14. INTANGIBLE ASSETS**

	Rights in sharing of profit streams	Trademarks	Exclusive distribution rights	Customers relationship	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 1st January 2014	989,205	7,345	–	2,454	999,004
Acquisition through business combinations	–	12,483	2,021	–	14,504
Derecognised on disposal of subsidiaries (see note 28(c))	–	(7,345)	–	(2,454)	(9,799)
At 31st December 2014, at 1st January 2015 and at 30th June 2015	989,205	12,483	2,021	–	1,003,709
<b>Accumulated amortisation and impairment</b>					
At 1st January 2014	965,112	1,600	–	1,069	967,781
Charge for the year	–	326	67	217	610
Impairment loss recognised	13,177	–	–	–	13,177
Derecognised on disposal of subsidiaries (see note 28(c))	–	(1,926)	–	(1,286)	(3,212)
At 31st December 2014 and at 1st January 2015	978,289	–	67	–	978,356
Charge for the period	–	–	287	–	287
Impairment loss recognised	587	–	–	–	587
At 30th June 2015	978,876	–	354	–	979,230
<b>Carrying amounts</b>					
<b>At 30th June 2015 (Unaudited)</b>	<b>10,329</b>	<b>12,483</b>	<b>1,667</b>	<b>–</b>	<b>24,479</b>
At 31st December 2014 (Audited)	10,916	12,483	1,954	–	25,353

#### 14. INTANGIBLE ASSETS (Continued)

The following useful lives are used in the calculation of amortisation:

Rights in sharing of profit streams	Indefinite
Trademarks	10 years/Indefinite
Exclusive distribution rights	3.5 years
Customers relationship	5 years

##### Impairment testing of intangible assets with indefinite useful life

The trademark generated from acquisition of Ace Season and its subsidiary which engaged in Nam Pei Hong Operations (the "New Trademark") during the year ended 31st December 2014 and rights in sharing of profit streams have indefinite useful lives.

For the purpose of impairment testing, the New Trademark and rights in sharing of profit streams are allocated at acquisition to the cash-generating unit ("CGU") that are expected to benefit from such intangible asset.

The intangible assets with indefinite useful lives are considered by the directors of the Company as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The intangible assets with indefinite useful life will not be amortised until its useful life are determined to be finite. Instead they will be tested for impairment annually and whenever there are indications that they may be impaired.

The intangible asset associated with the rights in sharing of profit streams from the gaming promotion business represented the rights in sharing of 0.4% of rolling turnover generated from a casino VIP room located in Macau for an indefinite period of time.

The junket licenses associated with the rights in sharing of the profit streams is renewable annually by the Macau government. The directors of the Company are of the opinion that the Group would renew the junket licenses continuously with minimal cost and has the ability to do so. Therefore, the directors of the Company consider that the junket licenses associated with the rights in sharing of the profit streams have an indefinite useful life because it is expected to contribute the net cash inflows indefinitely.

At 30th June 2015, the directors of the Company have assessed the recoverable amount of intangible assets by reference to the valuation report issued by Grant Sherman Appraisal Limited, a firm of independent qualified professional valuers, which valued the rights in sharing of profit streams pursuant to the respective junket representative agreement using the discounted cash flow method and determined that intangible assets associated with the rights in sharing of profit streams was impaired by approximately HK\$587,000 (six months ended 30th June 2014: HK\$6,594,000).

The recoverable amount of the CGU of the rights in sharing of profit streams from gaming promotion business is determined based on value in use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 19.58% per annum (31st December 2014: 17.62% per annum) and cash flows beyond the five-year period are extrapolated using a zero growth rate for both periods. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include gross margin, growth and discount rate, such estimation is based on past experience and management's expectations for the market development.

**14. INTANGIBLE ASSETS (Continued)**

The impairment loss recognised during the period solely relates to the Group's rights in sharing of profit streams based in Macau and relate to intense competition in Macau VIP gaming industry. At 30th June 2015, the CGU has been reduced to its recoverable amount of approximately HK\$10,329,000 (31st December 2014: HK\$10,916,000), any adverse change in the assumptions used in calculation of recoverable amount would result in further impairment losses.

At 30th June 2015, since there is no significant change in Nam Pei Hong Operations, there is no indication that New Trademark should be impaired.

**15. FILMS IN PROGRESS**

	<b>At 30th June 2015 HK\$'000 (Unaudited)</b>	At 31st December 2014 HK\$'000 (Audited)
At the beginning of the reporting period	<b>79,390</b>	2,140
Additions	<b>246,429</b>	60,953
Acquisition through business combination	-	18,437
Transfer to other receivables	-	(2,100)
Less: Impairment loss recognised	-	(40)
	<hr/> <b>325,819</b> <hr/>	<hr/> 79,390 <hr/>

The films in progress were measured at cost less accumulated impairment losses, if any.

**16. TRADE RECEIVABLES**

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

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

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




**17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	<b>At 30th June 2015 HK\$'000 (Unaudited)</b>	At 31st December 2014 HK\$'000 (Audited)
Other deposits paid	<b>17,147</b>	15,660
Deposit paid for investment	–	600,000
Prepayments	<b>22,330</b>	21,046
Other receivables	<b>36,499</b>	25,327
	<b><u>75,976</u></b>	<u>662,033</u>

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

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


**18. LOAN RECEIVABLES**

	<b>At 30th June 2015 HK\$'000 (Unaudited)</b>	At 31st December 2014 HK\$'000 (Audited)
Fixed-rate loan receivables	<b><u>1,100,000</u></b>	<u>600,000</u>

At 30th June 2015, loan receivables are interest bearing at rates ranging from 10% to 12% per annum (31st December 2014: 10% per annum) and repayable after the date falling 24 months from the first drawdown date. Loan receivables contain a clause of repayable on demand and thus classified as current assets.

At 30th June 2015, loan receivables with amounts of HK\$825,000,000 (31st December 2014: HK\$600,000,000) are secured by the personal guarantees of the sole beneficial owner and the director of respective borrowers.

**19. HELD FOR TRADING INVESTMENTS**

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

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

**20. SHARE CAPITAL**

	<b>Number of shares</b>		<b>Amount</b>	
	<b>At 30th June 2015 '000 (Unaudited)</b>	At 31st December 2014 '000 (Audited)	<b>At 30th June 2015 HK\$'000 (Unaudited)</b>	At 31st December 2014 HK\$'000 (Audited)

**Ordinary shares of HK\$0.01 each**

**Authorised:**

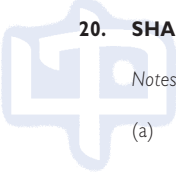
At the beginning/end of the reporting period	<b><u>50,000,000</u></b>	<u>50,000,000</u>	<b><u>500,000</u></b>	<u>500,000</u>
----------------------------------------------	--------------------------	-------------------	-----------------------	----------------


**Issued and fully paid:**

At the beginning of the reporting period	<b>15,939,688</b>	6,567,309	<b>159,397</b>	65,673
Placement of shares (see note a)	<b>2,887,900</b>	3,200,000	<b>28,879</b>	32,000
Issue of new shares upon open offer (see note b)	–	2,626,924	–	26,269
Conversion of convertible bonds (see note c)	–	2,045,455	–	20,455
Issue of new shares by subscription (see note d)	–	1,500,000	–	15,000
At the end of the reporting period	<b><u>18,827,588</u></b>	<u>15,939,688</u>	<b><u>188,276</u></b>	<u>159,397</u>


**20. SHARE CAPITAL (Continued)**

Notes:

- 
- (a) (i) On 9th June 2015, the Company allotted and issued an aggregate 2,887,900,000 new shares of HK\$0.01 each to independent investors at a price of HK\$0.12 per share. The net proceeds of approximately HK\$336,270,000 were intended to be used for film production and/or general working capital purpose.
- (ii) On 23rd April 2014, the Company allotted and issued an aggregate 3,200,000,000 new shares of HK\$0.01 each to independent investors at a price of HK\$0.125 per share. The net proceeds of approximately HK\$395,470,000 were intended to be used for the proposed acquisition of a VIP gaming promotion operations in Macau.

- 
- (b) On 22nd January 2014, the Company allotted and issued 2,626,923,658 offer shares of the Company of HK\$0.01 each at a subscription price of HK\$0.125 per offer share on the basis of two offer shares for every five existing shares held on 31st December 2013 by way of open offer. The net proceeds of approximately HK\$324,470,000 were intended to be used for property investment in Hong Kong and/or Macau when suitable opportunity arises.

As disclosed in the announcement dated 4th April 2014, the Company changed the use of proceeds. The net proceeds were allocated by approximately HK\$200,000,000 to be used for financing a loan agreement dated 4th April 2014 and the remaining balance of approximately HK\$124,470,000 would be used for investment in gaming/gaming-related business and/or general working capital of the Company.

- 
- (c) On 31st March 2014, 2,045,454,545 shares were allotted and issued upon the conversion of convertible bonds in the principal amount of HK\$225,000,000 at the adjusted conversion price of HK\$0.11 per share by Eternity Finance Group Limited ("Eternity Finance").
- (d) On 14th November 2014, the Company allotted and issued 1,500,000,000 new shares of the Company of HK\$0.01 each at a subscription price of HK\$0.09 per subscription share to a share subscriber. The net proceeds of approximately HK\$134,300,000 were intended to be used for investment in gaming/gaming-related business in Macau.

## 21. BANK BORROWINGS

	<b>At 30th June 2015 HK\$'000 (Unaudited)</b>	At 31st December 2014 HK\$'000 (Audited)
Secured bank borrowings	<b>970,000</b>	300,000
Unsecured bank borrowings	<b>13,308</b>	15,819
	<b>983,308</b>	315,819
Carrying amounts repayable:		
Within one year	<b>132,628</b>	314,468
More than one year, but not exceeding two years	<b>120,000</b>	–
More than two years, but not more than five years	<b>360,000</b>	–
Over five years	<b>370,000</b>	–
	<b>982,628</b>	314,468
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)	<b>680</b>	1,351
	<b>983,308</b>	315,819
Less: Amount shown under current liabilities	<b>(133,308)</b>	(315,819)
Amount shown under non-current liabilities	<b>850,000</b>	–

At 30th June 2015, the Group had secured bank borrowing ("Term Loan I") with remaining balance of HK\$970,000,000 (31st December 2014: nil) which is secured by the Group's buildings and interests in leasehold land with carry amounts of approximately HK\$224,471,000 and HK\$370,067,000 respectively, quota capital of Hotel Lan Kwai Fong (Macau) Limited and Classic Management & Services Company Limited ("Classic Management"). The Term Loan I is also guaranteed by the Company and Classic Management. The Term Loan I is interest bearing at 3.5% per annum (Hong Kong Prime Rate 5.25% less margin 1.75%) and repayable by remaining of 30 equal consecutive quarterly instalments of HK\$30,000,000 per quarter and a final repayment of HK\$70,000,000 at the maturity date of the Term Loan I.

**21. BANK BORROWINGS (Continued)**

At 30th June 2015, the Group had unsecured bank borrowing of HK\$680,000 (31st December 2014: HK\$1,351,000) that granted under the Special Loan Guarantee Scheme of the Government of the Hong Kong Special Administrative Region ("HKSAR"). The unsecured bank borrowing is 80% guaranteed by the government of HKSAR and 100% jointly guaranteed by the Company and ex-shareholder of NPH Holdings Limited ("NPH") respectively. The unsecured bank borrowing is interest bearing at 2.5% per annum over one month Hong Kong Inter-bank Offered Rate ("HIBOR"), repayable by remaining of five monthly instalments and contains a clause of repayable on demand and thus classified as current liabilities.

At 30th June 2015, the Group had unsecured import trade loans of approximately HK\$12,628,000 (31st December 2014: HK\$14,468,000). The unsecured import trade loans are personally guaranteed by ex-shareholder of NPH, interest bearing at 2% per annum over one month HIBOR and repayable on demand.

At 31st December 2014, the Group had secured bank borrowing ("Term Loan II") with remaining balance of HK\$300,000,000 which was secured by the Group's buildings and interests in leasehold land with carrying amounts of approximately HK\$229,997,000 and HK\$380,709,000 respectively. The Term Loan II was interest bearing at 3.5% per annum (Hong Kong Prime Rate 5.25% less margin 1.75%). The Term Loan II was fully settled during the period ended 30th June 2015.

All interest-bearing bank borrowings are denominated in Hong Kong dollar.

**22. TRADE PAYABLES**

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

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

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

**23. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES**

	<b>At 30th June 2015 HK\$'000 (Unaudited)</b>	At 31st December 2014 HK\$'000 (Audited)
Deposits received	<b>124,265</b>	12,516
Accruals	<b>35,603</b>	52,849
Receipt in advance	<b>8</b>	8
Other payables	<b>21,512</b>	32,155
	<b><u>181,388</u></b>	<u>97,528</u>

**24. LEASE COMMITMENTS****The Group as lessee**

	<b>Six months ended 30th June 2015 HK\$'000 (Unaudited)</b>	2014 HK\$'000 (Unaudited)
Minimum lease payments paid under operating leases during the period:		
Premises	<b><u>10,939</u></b>	<u>2,174</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the leased premises which fall due as follows:

	<b>At 30th June 2015 HK\$'000 (Unaudited)</b>	At 31st December 2014 HK\$'000 (Audited)
Within one year	<b>20,461</b>	18,401
In the second to fifth year inclusive	<b>12,990</b>	18,344
	<b><u>33,451</u></b>	<u>36,745</u>

Operating lease payments represented rentals payable by the Group for its premises. Leases are mainly negotiated for an average term of two years. The Group does not have an option to purchase the leased premises at the expiry of the lease period.

## 24. LEASE COMMITMENTS (Continued)

### The Group as lessor

Property rental income earned during the period was HK\$90,000 (30th June 2014: HK\$83,000). The Group's investment property is held for rental purposes and expected to generate rental yields of 1.4% (30th June 2014: 1.3%) on an ongoing basis. The property held has committed tenants within one year.

As the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	<b>At 30th June 2015 HK\$'000 (Unaudited)</b>	At 31st December 2014 HK\$'000 (Audited)
Within one year	<b>52</b>	142

## 25. CAPITAL COMMITMENTS

The Group had the following outstanding capital commitments at the end of the reporting period:

	<b>At 30th June 2015 HK\$'000 (Unaudited)</b>	At 31st December 2014 HK\$'000 (Audited)
<b>Authorised and contracted, but not provided for:</b>		
– Acquisition of property, plant and equipment	–	5,000
– Development expenditure for stock of properties located in Macau	<b>29,398</b>	28,615
– Renovation expenses for property, plant and equipment	<b>287</b>	4,201
	<b>29,685</b>	37,816

**26. PLEDGE OF ASSETS**

Assets with the following carrying amounts have been pledged to secure bank borrowings of the Group:

	<b>At 30th June 2015 HK\$'000 (Unaudited)</b>	At 31st December 2014 HK\$'000 (Audited)
Buildings	<b>224,471</b>	229,997
Interests in leasehold land	<b>370,067</b>	380,709
	<b><u>594,538</u></b>	<u>610,706</u>

At 30th June 2015, the Group's obligations under finance leases is secured by the lessors' title to the leased assets, which have carrying amounts of HK\$942,000 (31st December 2014: HK\$1,066,000).

**27. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

**(a) Fair value hierarchy**

	Quoted prices in active market for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
<b>At 30th June 2015 (Unaudited)</b>				
<i>Fair value on a recurring basis</i>				
Held for trading investments	<b><u>362,766</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>362,766</u></b>
<b>At 31st December 2014 (Audited)</b>				
<i>Fair value on a recurring basis</i>				
Held for trading investments	<b><u>36,332</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>36,332</u></b>

For the six months ended 30th June 2015 and 30th June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.



## 27. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

### (b) Fair values of financial assets and liabilities

The carrying amounts of the Group's financial assets and financial liabilities recognised in Interim Financial Statements approximate to their fair values at 30th June 2015 and 31st December 2014.

## 28. DISPOSAL OF SUBSIDIARIES

### For the six months ended 30th June 2014

#### (a) Disposal of China Star Movie Limited ("CS Movie")

On 17th April 2014, the Group completed the disposal of the entire equity interest of CS Movie and a shareholder loan of approximately HK\$9,002,000 at a total consideration of approximately HK\$4,340,000. The net liabilities of CS Movie, at the date of disposal were as follows:

#### Consideration transferred:

	HK\$'000
Cash received	4,340
	<u>4,340</u>

#### Analysis of assets and liabilities over which control was lost:

	HK\$'000
Net liabilities disposed of:	
Trade receivables	21
Deposits and prepayments	6,171
Cash and bank balances	36
Accruals	(8)
Shareholder loan	(9,002)
Amount due to ultimate holding company	(1,880)
	<u>(4,662)</u>
Net liabilities disposed of	<u>(4,662)</u>

#### Disposal of subsidiary:

	HK\$'000
Consideration received	4,340
Net liabilities disposed of	4,662
Shareholder loan assigned to the purchaser	(9,002)
	<u>—</u>
Disposal of subsidiary	<u>—</u>

**28. DISPOSAL OF SUBSIDIARIES (Continued)**

**For the six months ended 30th June 2014 (Continued)**

**(a) Disposal of CS Movie (Continued)**

**Net cash inflow arising on disposal:**

	<i>HK\$'000</i>
Cash received	4,340
Less: cash and bank balances disposed	<u>(36)</u>
Net cash inflow	<u><u>4,304</u></u>

**(b) Disposal of Star Hope Investments Limited (“Star Hope”)**

On 6th June 2014, the Group completed the disposal of the entire equity interest of Star Hope and a shareholder loan of approximately HK\$82,000,000 at a total consideration of approximately HK\$82,282,000. The net liabilities of Star Hope, at the date of disposal were as follows:

**Consideration transferred:**

	<i>HK\$'000</i>
Cash received	<u><u>82,282</u></u>

**Analysis of assets and liabilities over which control was lost:**

	<i>HK\$'000</i>
Net liabilities disposed of:	
Property, plant and equipment	77,726
Deposits, prepayments and other receivables	219
Held for trading investments	3,426
Cash and bank balances	572
Accruals	(23)
Bank borrowing	(1,912)
Shareholder loan	<u>(82,000)</u>
Net liabilities disposed of	<u><u>(1,992)</u></u>

**28. DISPOSAL OF SUBSIDIARIES (Continued)****For the six months ended 30th June 2014 (Continued)****(b) Disposal of Star Hope (Continued)****Gain on disposal of subsidiaries:**

	<i>HK\$'000</i>
Consideration received	82,282
Net liabilities disposed of	1,992
Shareholder loan assigned to the purchaser	(82,000)
Non-controlling interests	(996)
	<hr/>
Gain on disposal of subsidiaries	1,278
	<hr/> <hr/>

**Net cash inflow arising on disposal:**

	<i>HK\$'000</i>
Cash received	82,282
Less: cash and bank balances disposed	(572)
	<hr/>
Net cash inflow	81,710
	<hr/> <hr/>

**(c) Disposal of Ace Season**

On 11th June 2014, the Group completed the disposal of the entire 50% equity interest in Ace Season and a shareholder loan of approximately HK\$46,362,000 at a total consideration of HK\$45,000,000. The net assets of Ace Season, at the date of disposal were as follows:

**Consideration transferred:**

	<i>HK\$'000</i>
Consideration receivable	45,000
	<hr/> <hr/>

**28. DISPOSAL OF SUBSIDIARIES (Continued)****For the six months ended 30th June 2014 (Continued)****(c) Disposal of Ace Season (Continued)****Analysis of assets and liabilities over which control was lost:**

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	4,287
Goodwill	3,030
Intangible assets	6,587
Inventories	60,011
Trade receivables	3,893
Deposits, prepayments and other receivables	11,514
Cash and bank balances	26,561
Trade payables	(6,729)
Accruals and other payables	(3,477)
Bank borrowings	(11,353)
Shareholder loan	(46,362)
Amounts due to non-controlling interests	(46,586)
Deferred tax liabilities	(1,087)
	<hr/>
Net assets disposed of	289

**Loss on disposal of subsidiaries:**

	<i>HK\$'000</i>
Consideration receivable	45,000
Net assets disposed of	(289)
Shareholder loan assigned to the purchaser	(46,362)
Non-controlling interests	(94)
Release of exchange reserve upon disposal of subsidiaries	79
	<hr/>
Loss on disposal of subsidiaries	(1,666)

**Net cash outflow arising on disposal:**

	<i>HK\$'000</i>
Cash received	-
Less: cash and bank balances disposed	(26,561)
	<hr/>
Net cash outflow	(26,561)

**29. SIGNIFICANT TRANSACTION WITH NON-CONTROLLING INTERESTS**

For the period ended 30th June 2014

**Acquisition of 50% equity interests in Smart Value Developments Limited ("Smart Value") and its subsidiaries**

On 6th June 2014, the Group further acquired 50% equity interests of the issued share capital in Smart Value and its subsidiaries and a shareholder loan of approximately HK\$77,992,000 at a total consideration of HK\$80,000,000. The major assets of Smart Value are the entire equity interests in Well Star Investments Limited and Big Century Limited which both companies are engaged in property holding. As a result of the acquisition, the Group's shareholding in Smart Value and its subsidiaries increased from 50% to 100%. The Group recognised an increase in non-controlling interests of approximately HK\$770,000 and a decrease in equity attributable to owners of the Company of approximately HK\$770,000.

**30. SIGNIFICANT RELATED PARTY TRANSACTION**

During the period under review, the Group entered into the following transactions with its related parties:

	<b>Six months ended 30th June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Nature of transactions</b>		
Income received from family member of the substantial shareholders and the directors of the company:		
Rental income	<b>90</b>	83
Income received from joint venture:		
Management fee income	<b>210</b>	–
	<b><u>210</u></b>	<b><u>–</u></b>

**31. MAJOR NON-CASH TRANSACTIONS**

The Group entered into the following major non-cash investing and financing activities which are not reflected in the condensed consolidated statement of cash flows:

- (a) On 11th June 2014, the Group disposed of entire 50% equity interests in Ace Season at a total consideration of HK\$45,000,000 had not been received in cash.
- (b) On 31st March 2014, 2,045,454,545 shares were allotted and issued upon the conversion of convertible bonds in the principal amount of HK\$225,000,000 at the adjusted conversion price of HK\$0.11 per share by Eternity Finance.

**32. EVENTS AFTER THE REPORTING PERIOD**

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

**33. APPROVAL AND AUTHORISATION FOR ISSUE OF INTERIM FINANCIAL STATEMENTS**

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 27th August 2015.



**HLB**
**國衛會計師事務所有限公司**  
**Hodgson Impey Cheng Limited**

 31st Floor  
 Gloucester Tower  
 The Landmark  
 11 Pedder Street  
 Central  
 Hong Kong

**INDEPENDENT REVIEW REPORT  
 TO THE BOARD OF DIRECTORS OF  
 CHINA STAR ENTERTAINMENT LIMITED**
*(Incorporated in Bermuda with limited liability)*
**INTRODUCTION**

We have reviewed the interim financial statements set out on pages 1 to 37, which comprise the condensed consolidated statement of financial position of China Star Entertainment Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") as of 30th June 2015 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial statements in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on this interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements at 30th June 2015 is not prepared, in all material respects, in accordance with HKAS 34.

**HLB Hodgson Impey Cheng Limited**

Certified Public Accountants

**Yu Chi Fat**

Practising Certificate Number: P05467

Hong Kong, 27th August 2015

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

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

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

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

### Dividend

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

### Business Review

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

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



**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)****Business Review (Continued)***Hotel and Gaming Service Operations*

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

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

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)****Business Review (Continued)***Hotel and Gaming Service Operations (Continued)*

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

*Gaming Promotion Operations*

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

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

*Film Related Business Operations*

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review (Continued)

#### *Property Development Operations*

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

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

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

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

#### *Nam Pei Hong Operations*

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)****Business Review (Continued)***Nam Pei Hong Operations (Continued)*

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

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

*Geographical segments*

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

*Administrative Expenses*

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

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)****Liquidity and Financial Resources**

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

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

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

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

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)****Liquidity and Financial Resources (Continued)**

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Liquidity and Financial Resources (Continued)

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

### Material acquisitions and disposals

#### *Termination of the Proposed Acquisition of Protective Capital Group Limited*

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

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

#### *Termination of the Proposed Disposal of Triumph Top Limited*

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Liquidity and Financial Resources (Continued)

#### *Termination of the Proposed Disposal of Triumph Top Limited (Continued)*

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

### Employees and remuneration policy

As at 30th June 2015, the Group employed 786 staff (2014: 707 staff) with employee benefit expenses of HK\$122,946,000 (2014: HK\$81,529,000, of which HK\$73,333,000 from continuing operations and HK\$8,196,000 from discontinued operation) which included approximately HK\$36,927,000 share-based payment expenses related to share options granted to employees of the Group. The directors believe that the quality of its employees is the single most important factor in sustaining the Group's reputation and improving its profitability. The staff are remunerated based on their work performance, professional experience and prevailing industry practices. Apart from basic salaries, pension fund, housing allowances, meal allowances, medical schemes and discretionary bonuses, share options are awarded to certain staff according to the assessment of individual performance.

### Event After The Reporting Date

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

### Prospect

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

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



**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)****Prospect (Continued)**

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

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

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

**DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 30th June 2015, the interests of the directors and their associates in the shares and the underlying shares of the Company and its associated corporations, as recorded in the register ("Register of Interests") maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

<b>Name of director</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of interests held</b>
Mr. Heung Wah Keung	Interest of spouse/ interest of controlled corporation	<u>4,661,203,680*</u>	<u>24.76</u>
Ms. Chen Ming Yin, Tiffany	Interest of spouse/ interest of controlled corporation	<u>4,661,203,680*</u>	<u>24.76</u>

All interests stated above represent long positions.

\* These shares are held as to 4,661,162,574 shares by Heung Wah Keung Family Endowment Limited ("HWKFE") (a company owned as to 50% by Mr. Heung and as to 50% by Ms. Chen) and as to 41,106 shares by Dorest Company Limited ("Dorest") (a company beneficially owned as to 60% by Ms. Chen and as to 40% by Mr. Heung).

**DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)**

Other than as set out above, as at 30th June 2015, none of the directors or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Register of Interests or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or the spouse or children under 18 years of age of such director, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**SUBSTANTIAL SHAREHOLDERS**

As at 30th June 2015, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

<b>Name</b>	<b>Capacity</b>	<b>Number of shares or underlying shares held</b>	<b>Approximate percentage of interests held</b>
HWKFE	Beneficial owner	<u>4,661,162,574</u>	<u>24.76</u>
Long Joy Investments Limited	Beneficial owner	<u>1,500,000,000</u>	<u>9.41</u>
Well Way Group Limited	Interest of controlled corporation	<u>1,500,000,000*</u>	<u>9.41</u>

All interests stated above represent long positions.

\* These shares are held by Long Joy Investments Limited.

Other than as disclosed above, the Company had not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital as at 30th June 2015.

## SHARE OPTION SCHEME

Pursuant to a resolution passed at a special general meeting of the Company held on 28th June 2012, a new share option scheme (the "New Option Scheme") was adopted by the Company.

The previous share option scheme of the Company (the "Old Option Scheme") was expired on 26th May 2012, no further share options can be granted under the Old Option Scheme thereafter. However, all outstanding share option granted under the Old Option Scheme prior to the said expiry shall remain valid and exercisable in accordance with the provisions of the Old Option Scheme.

Apart from the New Option Scheme, the Company has no other share option scheme in place as at 30th June 2015.

Details of share options outstanding as at 30th June 2015 were as follows:

Category of participants	Name of scheme	Exercisable period <sup>†</sup>	Exercise price per share HK\$	Number of share options				
				Outstanding as at 01.01.2015	Expired during the period	Granted during the period	Outstanding as at 30.06.2015	
Employees of the Group	Old Option Scheme	04.02.2005 – 03.02.2015	39,794	324,857	(324,857)	–	–	
		30.12.2005 – 29.12.2015	17,888	116,539	–	–	116,539	
		21.11.2006 – 20.11.2016	20,477	202,906	–	–	202,906	
		25.05.2007 – 24.05.2017	31,063	508,219	–	–	508,219	
		27.06.2007 – 26.06.2017	30,907	333,984	–	–	333,984	
		23.10.2007 – 22.10.2017	14,682	1,166,908	–	–	1,166,908	
		21.08.2008 – 20.08.2018	1,894	4,364,648	–	–	4,364,648	
	New Option Scheme	14.01.2013 – 13.01.2016	0.167	121,969,697	–	–	121,969,697	
		04.05.2015 – 03.05.2018	0.126	–	–	1,025,000,000	1,025,000,000	
				<u>128,987,758</u>	<u>(324,857)</u>	<u>1,025,000,000</u>	<u>1,153,662,901</u>	
	Other participants	Old Option Scheme	04.02.2005 – 03.02.2015	39,794	77,104	(77,104)	–	–
			30.12.2005 – 29.12.2015	17,888	140,678	–	–	140,678
			21.11.2006 – 20.11.2016	20,477	81,165	–	–	81,165
			25.05.2007 – 24.05.2017	31,063	200,067	–	–	200,067
23.10.2007 – 22.10.2017			14,682	237,366	–	–	237,366	
21.08.2008 – 20.08.2018			1,894	553,214	–	–	553,214	
New Option Scheme			14.01.2013 – 13.01.2016	0.167	76,109,091	–	–	76,109,091
		04.05.2015 – 03.05.2018	0.126	–	–	418,000,000	418,000,000	
				<u>77,398,685</u>	<u>(77,104)</u>	<u>418,000,000</u>	<u>495,321,581</u>	
				<u>206,386,443</u>	<u>(401,961)</u>	<u>1,443,000,000</u>	<u>1,648,984,482</u>	

<sup>†</sup> The exercisable period commenced on the date of grant of the relevant share options.

No share option was exercised, lapsed or cancelled during the six months ended 30th June 2015.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30th June 2015. The Model Code also applies to other specified senior management of the Group.

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

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

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

The audit committee of the Company as at 30th June 2015 was comprising Messrs. Ho Wai Chi, Paul, Hung Cho Sing and Tang Chak Lam, Gilbert, all being independent non-executive directors. Mr. Ho Wai Chi, Paul is the chairman of the audit committee.

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

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



**BOARD OF DIRECTORS**

As at the date of this report, 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.

By Order of the Board  
**Heung Wah Keung**  
*Chairman*



Hong Kong, 27th August 2015

