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CHINA STAR ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 326)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2024

INTERIM RESULTS

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 (collectively referred to as the “Group”) for the six months ended 30th June 2024 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2024

	Notes	Six months ended 30th June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	4	193,317	121,109
Cost of sales		<u>(135,376)</u>	<u>(70,225)</u>
Gross profit		57,941	50,884
Other revenue and other income	5	15,523	18,317
Administrative expenses		(63,697)	(50,304)
Marketing, selling and distribution expenses		(49,464)	(12,360)
Gain/(loss) arising on change in fair value of investment property		2,173	(4,665)
Loss arising on change in fair value of financial assets at fair value through profit or loss		(11,003)	(7,025)
Other operating expenses		<u>(10,235)</u>	<u>–</u>
Loss from operations		(58,762)	(5,153)
Finance costs	6	<u>(75,071)</u>	<u>(76,310)</u>
Loss before tax	7	(133,833)	(81,463)
Income tax expense	8	<u>(406)</u>	<u>(983)</u>
Loss for the period		<u>(134,239)</u>	<u>(82,446)</u>
Loss for the period attributable to:			
Owners of the Company		(135,480)	(82,426)
Non-controlling interests		<u>1,241</u>	<u>(20)</u>
		<u>(134,239)</u>	<u>(82,446)</u>
Loss per share	9		
Basic and diluted		<u>HK(5.57) cents</u>	<u>HK(3.35) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2024

	Six months ended 30th June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(134,239)	(82,446)
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>693</u>	<u>(395)</u>
Total comprehensive loss for the period	<u>(133,546)</u>	<u>(82,841)</u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	(134,787)	(82,821)
Non-controlling interests	<u>1,241</u>	<u>(20)</u>
	<u>(133,546)</u>	<u>(82,841)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2024

		At 30th June 2024	At 31st December 2023
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	11	378,800	95,427
Investment property		147,267	153,950
Intangible assets		401	502
Prepayment		–	21,293
		526,468	271,172
Current assets			
Inventories		1,400	153
Stock of properties		3,423,547	3,734,939
Film rights		8,015	8,015
Films in progress		9,625	9,625
Investment in films		95,732	96,512
Loan to a director		500,000	499,773
Trade receivables	12	538	1,849
Deposits, prepayment and other receivables		408,143	410,189
Financial assets at fair value through profit or loss		10,732	21,735
Amount due from non-controlling interest		53	53
Time deposits		292	286
Cash and bank balances and restricted cash		96,182	130,295
		4,554,259	4,913,424
Total assets		5,080,727	5,184,596

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

At 30th June 2024

	<i>Notes</i>	At 30th June 2024 HK\$'000 (Unaudited)	At 31st December 2023 HK\$'000 (Audited)
Capital and reserves			
Share capital		24,278	24,608
Reserves		<u>2,475,036</u>	<u>2,636,534</u>
Equity attributable to owners of the Company			
Non-controlling interests		<u>2,499,314</u>	2,661,142
		582	<u>(659)</u>
Total equity		<u>2,499,896</u>	<u>2,660,483</u>
Non-current liabilities			
Lease liabilities		19,790	25,095
Bank and other borrowings		1,252,148	1,417,142
Deferred tax liabilities		<u>2,119</u>	<u>1,815</u>
		<u>1,274,057</u>	<u>1,444,052</u>
Current liabilities			
Trade payables	13	90,899	124,728
Deposits received, accruals and other payables		65,640	46,105
Receipts in advance		89,503	45,092
Lease liabilities		10,144	10,708
Bank and other borrowings		491,680	350,312
Amount due to a director		30,000	–
Amounts due to non-controlling interests		<u>528,908</u>	<u>503,116</u>
		<u>1,306,774</u>	<u>1,080,061</u>
Total liabilities		<u>2,580,831</u>	<u>2,524,113</u>
Total equity and liabilities		<u>5,080,727</u>	<u>5,184,596</u>
Net current assets		<u>3,247,485</u>	<u>3,833,363</u>
Total assets less current liabilities		<u>3,773,953</u>	<u>4,104,535</u>

NOTES:

1. BASIS OF PREPARATION

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

The preparation of the Interim Financial Information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Information contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since the 2023 annual financial statements. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the Interim Financial Information for the six months ended 30th June 2024 are the same as those presented in the Group's audited consolidated financial statements for the year ended 31st December 2023.

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

Application of amendments to HKFRSs and interpretation

In the current interim period, the Group has applied the following amendments to HKFRSs and interpretation issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January 2024 for the preparation of the Interim Financial Information:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the amendments to HKFRSs and interpretation in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the Interim Financial Information.

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 (the “CODM”), for the purpose of monitoring segment performance and allocating resources between segments and that are used to make strategic decisions.

The Group has three reportable segments – film related business operations, property development and investment operations and multi-media and entertainment business operations. The segmentations are based on the information about the operations of the Group that management uses to make decisions.

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

Particulars of the Group’s reportable segments are summarised as follows:

- Film related business operations – Investment, production, distribution and licensing of films and television drama series and provision of other film related services including artist management services
- Property development and investment operations – Investment and development of properties and building management services
- Multi-media and entertainment business operations – Development, promotion and operation in multi-channel network e-commerce platform

3. SEGMENT INFORMATION (Continued)

Segment information about these operations is presented as below:

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

	Segment revenue		Segment results	
	Six months ended 30th June		Six months ended 30th June	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Film related business operations	1,166	871	(3,243)	(5,216)
Property development and investment operations	179,147	87,728	(65,113)	(70,219)
Multi-media and entertainment business operations	13,004	32,510	(25,165)	5,886
	<u>193,317</u>	<u>121,109</u>	<u>(93,521)</u>	<u>(69,549)</u>
Reconciliation from segment results to loss before tax				
Unallocated corporate income			14,613	17,823
Loss arising on change in fair value of financial assets at fair value through profit or loss ("FVTPL")			(11,003)	(7,025)
Unallocated corporate expenses			(43,922)	(22,712)
Loss before tax			<u>(133,833)</u>	<u>(81,463)</u>

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

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

3. SEGMENT INFORMATION (Continued)

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

	At 30th June 2024 HK\$'000 (Unaudited)	At 31st December 2023 HK\$'000 (Audited)
ASSETS		
Segment assets		
– Film related business operations	366,681	396,491
– Property development and investment operations	3,909,794	3,946,935
– Multi-media and entertainment business operations	170,672	123,232
	<u>4,447,147</u>	<u>4,466,658</u>
Total segment assets	4,447,147	4,466,658
Unallocated assets	633,580	717,938
	<u>5,080,727</u>	<u>5,184,596</u>
LIABILITIES		
Segment liabilities		
– Film related business operations	8,079	6,445
– Property development and investment operations	2,272,447	2,320,496
– Multi-media and entertainment business operations	88,911	69,722
	<u>2,369,437</u>	<u>2,396,663</u>
Total segment liabilities	2,369,437	2,396,663
Unallocated liabilities	211,394	127,450
	<u>2,580,831</u>	<u>2,524,113</u>

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

- all assets are allocated to reportable segments, other than partial inventories, loan to a director, amount due from non-controlling interest, partial deposits, prepayment and other receivables, financial assets at FVTPL, partial cash and bank balances and partial property, plant and equipment for central administrative purposes; and
- all liabilities are allocated to reportable segments, other than partial deposits received, accruals and other payables, partial lease liabilities, partial other borrowings and amount due to a director.

3. SEGMENT INFORMATION (Continued)

(c) Geographical information

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

	Revenue from		Non-current assets	
	external customers		(excluded financial	
	Six months ended		instruments)	
	30th June		At 30th	At 31st
	2024	2023	June	December
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	451	368	49,153	52,914
Macau	179,147	87,728	294,556	23,377
Taiwan	–	–	147,304	154,013
The People's Republic of China (the "PRC")	13,719	32,964	35,455	40,868
Others	–	49	–	–
	<u>193,317</u>	<u>121,109</u>	<u>526,468</u>	<u>271,172</u>

4. REVENUE

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

	Six months ended 30th June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Disaggregation of revenue from contracts with customers		
Distribution fee income	190	51
Artist management service income	976	820
Sales of properties	178,681	87,728
Building management service fee income	466	–
Multi-media commission income	13,004	32,510
	<u>193,317</u>	<u>121,109</u>
Revenue from contracts with customers	193,317	121,109

	Six months ended 30th June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Timing of revenue recognition		
A point in time	192,851	121,109
Over time	466	–
	<u>193,317</u>	<u>121,109</u>
Revenue from contracts with customers	193,317	121,109

5. OTHER REVENUE AND OTHER INCOME

	Six months ended 30th June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividend income	–	4
Bank interest income	212	544
Loan interest income	12,693	17,472
Catering operations	1,626	–
Other income	110	–
Sundry income	882	297
	<u>15,523</u>	<u>18,317</u>
	15,523	18,317

6. FINANCE COSTS

	Six months ended 30th June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Interests on bank borrowings	65,754	75,441
Interests on financing note payables	–	331
Interests on other borrowings	10,100	–
Interests on amount due to a director	367	–
Interests on amounts due to non-controlling interests	792	–
Bank guarantee charges	–	367
Interests on lease liabilities	1,151	141
Other finance costs	–	30
	<u>78,164</u>	<u>76,310</u>
Interest capitalised to stock of properties	<u>(3,093)</u>	<u>–</u>
	<u><u>75,071</u></u>	<u><u>76,310</u></u>

7. LOSS BEFORE TAX

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

	Six months ended 30th June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Amortisation of intangible assets (included in marketing, selling and distribution expenses)	90	–
Cost of properties sold (included in cost of sales)	132,076	49,133
Depreciation of property, plant and equipment	12,688	3,733
Employee benefit expenses (included directors' remunerations)	43,620	25,736
Expense relating to short-term leases	1,504	988
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	40	42
Write-down of stock of properties (included in other operating expenses)	9,167	–
Reversal of allowance for expected credit loss (“ECL”) on trade receivables (included in other operating expenses)	(42)	–
(Gain)/loss arising on change in fair value of investment property	(2,173)	4,665
Loss arising on change in fair value of financial assets at FVTPL	11,003	7,025
Net foreign exchange loss	5,400	3,929
	<u><u>11,003</u></u>	<u><u>7,025</u></u>
	<u><u>5,400</u></u>	<u><u>3,929</u></u>

8. INCOME TAX EXPENSE

	Six months ended 30th June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
– PRC enterprise income tax	–	1,436
Deferred tax	<u>406</u>	<u>(453)</u>
	<u>406</u>	<u>983</u>

Under the two-tiered profits tax rates regime of Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

The PRC subsidiaries are subject to the PRC enterprise income tax at 25% for both periods.

PRC enterprise income tax are estimated based on the assessable profits arising in the PRC for the six months ended 30th June 2024. No provision for the PRC enterprise income tax has been made for the six months ended 30th June 2023 as the Group has no assessable profits arising in the PRC.

Macau subsidiaries are subject to Macau complementary tax at the maximum progressive rate of 12% on the estimated assessable profit for both periods. The Taiwan subsidiary is subject to Taiwan corporate tax, the first NT\$120,000 taxable income of Taiwan subsidiary is exempted from corporate tax and taxable income above NT\$120,000 is taxed at 20%.

No provision for Macau complementary tax and Taiwan corporate tax has been made for both periods as the Group has no assessable profit arising in Macau and Taiwan.

9. LOSS PER SHARE

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

	Six months ended 30th June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(135,480)</u>	<u>(82,426)</u>
	Six months ended 30th June	
	2024	2023
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,431,723</u>	<u>2,461,911</u>

Pursuant to the deed polls of the bonus convertible bonds (“Bonus CBs”), the Bonus CBs conferred the holders with the same economic interests attached to the shareholders of the Company. Accordingly, 1,060,317 (30th June 2023: 1,060,317) fully paid ordinary shares of HK\$0.01 each which shall be convertible from an aggregated amount of approximately HK\$265,000 (30th June 2023: HK\$265,000) outstanding Bonus CBs are included in the weighted average number of ordinary shares for calculating the basic loss per share for the six months ended 30th June 2024 and 30th June 2023.

No diluted loss per share were presented as there were no potential ordinary shares in issue for both periods.

10. DIVIDEND

No interim dividend was paid or proposed during the six months ended 30th June 2024 and 2023.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June 2024, the Group acquired property, plant and equipment amounted to HK\$30,496,000 (six months ended 30th June 2023: HK\$7,275,000).

A portion of the stock of properties located in Macau with a carrying amount of HK\$265,957,000 was transferred to “property, plant and equipment” as the Group changed the usage to owner-occupation.

12. TRADE RECEIVABLES

	At 30th June 2024 <i>HK\$'000</i> (Unaudited)	At 31st December 2023 <i>HK\$'000</i> (Audited)
Trade receivables	1,178	2,531
Less: allowance for ECL	<u>(640)</u>	<u>(682)</u>
	<u>538</u>	<u>1,849</u>

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

	At 30th June 2024 <i>HK\$'000</i> (Unaudited)	At 31st December 2023 <i>HK\$'000</i> (Audited)
0 to 30 days	536	391
31 to 60 days	1	–
61 to 90 days	1	–
Over 90 days	<u>–</u>	<u>1,458</u>
	<u>538</u>	<u>1,849</u>

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

The movement in the allowance for ECL in respect of trade receivables under simplified approach during the period is as follows:

	Lifetime ECL (not credit-impaired)		Lifetime ECL (credit-impaired)	
	At 30th June 2024 <i>HK\$'000</i> (Unaudited)	At 31st December 2023 <i>HK\$'000</i> (Audited)	At 30th June 2024 <i>HK\$'000</i> (Unaudited)	At 31st December 2023 <i>HK\$'000</i> (Audited)
At the beginning of the reporting period	42	42	640	640
Reversal of allowance for ECL for the period	<u>(42)</u>	<u>–</u>	<u>–</u>	<u>–</u>
At the end of the reporting period	<u>–</u>	<u>42</u>	<u>640</u>	<u>640</u>

13. TRADE PAYABLES

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

	At 30th June 2024 HK\$'000 (Unaudited)	At 31st December 2023 HK\$'000 (Audited)
0 to 30 days	37,234	86,393
31 to 60 days	567	1,431
61 to 90 days	74	–
Over 90 days	53,024	36,904
	<hr/> 90,899 <hr/>	<hr/> 124,728 <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30th June 2024, the Group recorded revenue of HK\$193,317,000 from HK\$121,109,000 for the last corresponding period, representing an increase of 60%. The increase mainly related to property development and investment operations that contributed revenue of HK\$179,147,000 (Six months ended 30th June 2023: HK\$87,728,000), an increase of 104%.

Loss for the period amounted to HK\$134,239,000 (Six months ended 30th June 2023: HK\$82,446,000), representing an increase of 63% from the last corresponding period. The increase in loss mainly attributable to substantial increase in marketing, selling and distribution expenses amounted to HK\$49,464,000 (Six months ended 30th June 2023: HK\$12,360,000) as substantial marketing and selling expenses were incurred in property sales and multi-media and entertainment business operations and administrative expenses of HK\$63,697,000 (Six months ended 30th June 2023: HK\$50,304,000) which mainly included increase in employee benefit expenses of HK\$43,620,000 (Six months ended 30th June 2023: HK\$25,736,000).

Loss attributable to owners of the Company for the six months ended 30th June 2024 amounted to HK\$135,480,000, representing an increase of 64% from HK\$82,426,000 for the last corresponding period.

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2024 (Six months ended 30th June 2023: nil).

BUSINESS REVIEW

The Group has three reportable segments – (1) film related business operations; (2) property development and investment operations; and (3) multi-media and entertainment business operations.

Of the total revenue for the period, HK\$1,166,000 or 0% was generated from film related business operations, HK\$179,147,000 or 93% was generated from property development and investment operations, and HK\$13,004,000 or 7% was generated from multi-media and entertainment business operations.

Film Related Business Operations

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

In the first half of the year 2024, revenue from film related business operations amounted to HK\$1,166,000 (Six months ended 30th June 2023: HK\$871,000) and its segment loss amounted to HK\$3,243,000 (Six months ended 30th June 2023: HK\$5,216,000). The Group currently has no film or TV drama series in production, as the capital investment and manpower involved in film production is comparatively significant, the Group keeps preservative. Film distribution is the ongoing business for the Group as it owns its film library and has sub-distributed films on behalf of other film owners and this period's revenue was mainly arised from sub-distribution fees and artist management service fees. The Group has passive investment in two films which are expected to release in the second half year of 2024 and 2025 respectively and the Group normally will not intervene the distribution schedule of this kind of investment. Recently, short dramas and internet movies are supported by customers in different platforms. The Group is preparing for the production of these kind of short dramas and internet movies by using its extensive experience in film industry. More productions in these categories is expected to start production in the upcoming few months.

Property Development and Investment Operations

Property development and investment operations included investing and development of properties and building management services of Tiffany House. The Group mainly has two projects in Macau, namely (i) Lot C7 do Plano de Urbanizacao da Baia de Praia Grande, located in the Nam Van Lakes Zone, at Avenida Doutor Stanley Ho, registered with the Macau Land and Real Estate Registry under no. 23070 (the "Property C7"); and (ii) Tiffany House located at Rua De Luis Gonzaga Gomes and Rua De Xiamen, Macau.

The Property C7 is a lot of land with site area of 4,669 square meters which will be developed for residential and parking purpose with the maximum allowed height of the building of 46.7 meters above sea level and maximum utilization rate of 5.58 (parking not included) according to the Urbanistic Conditions Plan issued by Land and Urban Construction Bureau ("DSSCU") on 29th June 2023. The Property C7 will be developed into a thirteen storey building and one basement and will have a gross floor area of (a) residential – 25,832 square meters, (b) commercial – 215 square meters and (c) parking – 3,930 square meters. In year 2023, the Group has entered into an operation entrustment agreement and a main sale agreement with a well-known Macau property developer and entrust it to assist for design, development and construction, sales and finance arrangement of the Property C7. The Group considers that this professional arrangement for the Property C7 can speed up the construction process and assist the later sales. The construction work of the Property C7 commenced on 14th December 2023. It will provide 345 residential units with 16 villas, a commercial unit and 147 carparks and 29 motorcycle parking spaces at the underground level. The Property C7 has completed its foundation and retaining works and obtained its construction permit of the building on 25th June 2024. The occupation permit is expected to obtain in the beginning of year 2026.

Modern Vision (Asia) Limited (“Modern Vision”) which is an indirect wholly owned subsidiary of the Company is currently indirectly interested in 50% of the Property C7 through Over Profit International Limited (“Over Profit”). On 20th February 2024, Reform Base Holdings Limited (“Reform Base”) which is wholly owned by Ms. Chen Ming Yin, Tiffany (“Ms. Chen”) Ms. Chen and Modern Vision entered into an agreement (the “Agreement”) pursuant to which Reform Base has agreed to transfer the rights in relation to the shareholding of Reform Base in Over Profit including: (1) the right of Modern Vision to make recommendations to Reform Base on the management and operations of Over Profit; (2) the right of Modern Vision to make recommendation of such persons as Modern Vision may elect to be directors of Over Profit; and (3) the right for Modern Vision to receive dividends and other distribution of Over Profit payable or due to Reform Base, at the consideration of HK\$479,678,000 (the “Acquisition”). The consideration shall be satisfied by setting-off such amount from loan to director in principal amount of HK\$500,000,000 as at 30th June 2024. The difference of HK\$20,322,000 should be pay by Ms. Chen to Modern Vision between 6 and 12 months from date of completion. The transaction constitutes a disclosable transaction and connected transaction of the Company and was approved by the shareholders of the Company on 8th July 2024 and completed on 12th July 2024.

Tiffany House is located adjacent to Macao Polytechnic Institute and next to Golden Lotus Square, and is a couple of blocks away from Macau Fisherman’s Wharf and Sands Casino. Tiffany House has a gross floor area of (a) residential – 31,192 square meters, including 3,819 square meters for clubhouse, (b) commercial – 3,716 square meters and (c) parking – 11,250 square meters. It provides 230 residential units in two towers, with units ranging from studio flats to four-bedroom apartments as well as special units and 272 carparks and 75 motorcycle parks in three levels. A prestigious clubhouse decided by Mr. William Chang, a famous art director and star designer in Hong Kong which provides a wide range of facilities including swimming pool, gym room, well equipped kitchen, yoga and dance room, etc. Tiffany House has obtained its occupational permit in December 2019. The sales of the residential units of Tiffany House started in October 2022 and its first sales completed in January 2023. Sales started at Tower 1 of Tiffany House with 115 residential units and gross floor area of approximately 161,000 square feet. Tower 2 which facing Golden Lotus Square and Guia Hill with 115 residential units and gross floor area of approximately 175,000 square feet are expected to have higher unit price will start sales later. During the period, sales of 26 residential units with gross floor area of approximately 23,000 square feet in Tower 1 and 7 carparks and 3 motorcycle parks were completed. Up to 30th June 2024, total of 67 residential units with gross floor area of approximately 123,000 square feet in Tower 1 have not yet completed sales, of which approximately 45 residential units with gross floor area of approximately 70,000 square feet have signed the provisional sales agreements. The Group recognized that excellent building management services can increase the value of the properties and therefore the Group has provided building management services teams to the tenants of Tiffany House.

In the first half of the year 2024, revenue from property development and investment operations amounted to HK\$179,147,000 (Six months ended 30th June 2023: HK\$87,728,000), an increase of 104% and its segment loss amounted to HK\$65,113,000 (Six months ended 30th June 2023: HK\$70,219,000). All revenue in this period came from sales in Tiffany House. The segment loss was mainly included finance costs for the bank loan of Tiffany House (the “Term Loan”) amounted to HK\$64,465,000 (Six months ended 30th June 2023: HK\$74,939,000). The finance costs continued the burden for the performance of the property development and investment operations. Accordingly, the Group has continued to speed up the process of property sales. During the period, the Macau government has announced substantial changes to Macau’s real estate policy. The standardization of the maximum mortgage limit across all residences at 70% in January 2024 and the relief of imposition of punitive taxes in April 2024 have aid property owners looking to upgrade or alter their living conditions for larger units. In turn, these measures have benefit the sales of Tiffany House as it has comparatively more larger units.

Multi-media and Entertainment Business Operations

The Group has established a wholly-owned subsidiary, 杭州英明向太多媒體有限公司 (“YMXT”) in China which principal activities are multi-media and entertainment business operations which included development, promotion and operation of livestreaming e-commerce in multi-channel network e-commerce platform. Ms. Chen is an internet celebrity and she has an account in Douyin which attracted over ten millions of followers.

The Group intends to develop YMXT into a multi-channel network company which business will involve livestreaming e-commerce in internet platform and wholesales, trading, import and export of products. In the first stage, we will act as the mediator in the internet platform and keep a margin of commission each & every sale that is being done through our livestreaming channels. In addition, the suppliers will give annual or commitment advertising fees for YMXT to promote their products in our livestreaming channel or accounts or online shops managed by us. Besides, we can sale short video in livestreaming for these products. In the second stage, we will cooperate with other suppliers or factories to develop and sell our own products. We have established team of talented livestreamers and set up various livestreaming channels in Douyin including our main Douyin account 向太陳嵐, 向太奢品, 向太心動珠寶, 向太美麗人生 and 向太生活空間 to enhance our customer base. In July 2024, we have launched our first brand name 向样 and first dessert product, Red Beans Paste. More of our private label products will come in the upcoming months in year 2024. We also launched our livestreaming channel on Taobao (淘寶) and Mini program (微信小程序) in order to increase our sales channels.

In the first half of the year 2024, revenue from multi-media and entertainment business operations amounted to HK\$13,004,000 (Six months ended 30th June 2023: HK\$32,510,000) and its segment loss amounted to HK\$25,165,000 as compared to segment profit amounted to HK\$5,886,000 for the six months ended 30th June 2023. The loss mainly included marketing and operation expenses. As more and more new joiners enter the livestreaming e-commerce industry, competition becomes increasingly fierce. The results of the Group is unavoidable influence. Our products must be unique and superior to other competitors, so we must develop our private label products other than the common commercial products in the market. The Group has built a more comprehensive organization structure to support the rapid growth of this business and to lay a solid foundation for the future development of it and thus marketing and advertising expenses are spent to increase the publicity of our sales channels and the number of our followers. We are ready for more private label products in the coming few months.

Other Business Operations

For the commercial mall in Tiffany House, the Group intends to develop it into shopping mall which can provide restaurants, shops and entertainment to the residents in Tiffany House and the nearby residents. In April 2024, the Group has cooperated with a well-known local private kitchen to start operations for a private kitchen restaurant, a café and a wine shop. Besides, the Group has opened a convenient store and a livestreaming channel 向太生活空間 in the mall which will provide famous souvenirs in Hong Kong and Macau and expects to enhance our customer base. As all these business operations are in still in its very starting, we will not classify them into new and reportable business segments in this period.

Geographical Segments

For the geographical segments, revenue of HK\$451,000 or 0% was sourced from Hong Kong, revenue of HK\$179,147,000 or 93% was sourced from Macau, revenue of HK\$13,719,000 or 7% was sourced from China during the period. Revenue from Macau mainly represented property sales of Tiffany House in Macau and revenue from China mainly represented commission income from multi-media and entertainment business operations.

Administrative Expenses

For the six months ended 30th June 2024, administrative expenses amounted to HK\$63,697,000 (Six months ended 30th June 2023: HK\$50,304,000), representing increase of 27%. The increase mainly included administrative expenses incurred in our multi-media and entertainment business operations, catering operations and the operation of retail sales.

Marketing, Selling and Distribution Expenses

For the six months ended 30th June 2024, marketing, selling and distribution expenses amounted to HK\$49,464,000 (Six months ended 30th June 2023: HK\$12,360,000), representing increase of 300%. The increase was mainly due to marketing and selling expenses of Tiffany House which included engagement of consultancy parties, agency commission, advertisement in TV, newspapers and billboards and printing costs in promotional materials and marketing expenses incurred in multi-media and entertainment business operations which normally incurred significant advertising expenses in maintaining the publicity of the livestreaming channels such as the Douyin accounts and the number of followers.

Finance Costs

For the six months ended 30th June 2024, finance costs amounted to HK\$75,071,000 (Six months ended 30th June 2023: HK\$76,310,000) were charged to the condensed consolidated income statement which mainly included interests financing construction costs of Tiffany House amounted to HK\$64,465,000 (Six months ended 30th June 2023: HK\$74,939,000). Interests amounted to HK\$3,093,000 (Six months ended 30th June 2023: nil) financing construction costs of the Property C7 were capitalised to stock of properties.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June 2024, the Group had total assets of HK\$5,080,727,000 (31st December 2023: HK\$5,184,596,000) and a net current assets of HK\$3,247,485,000 (31st December 2023: HK\$3,833,363,000), representing a current ratio of 3.5 (31st December 2023: 4.5). The Group had cash and bank balances, time deposits and restricted cash in aggregate amount of HK\$96,474,000 (31st December 2023: HK\$130,581,000).

As at 30th June 2024, the Group had total borrowing of HK\$1,828,762,000 (31st December 2023: HK\$1,803,257,000) which comprised the Term Loan of HK\$1,466,300,000 (31st December 2023: HK\$1,580,312,000), a secured bank term loan (the “Secured Loan”) of HK\$82,148,000 (31st December 2023: HK\$87,142,000), an unsecured loan (the “Other Loan”) of HK\$100,000,000 (31st December 2023: HK\$100,000,000), a secured property loan (the “Property Loan”) of HK\$50,000,000 (31st December 2023: nil), a secured construction loan (the “Construction Loan”) of HK\$45,380,000 (31st December 2023: nil), an unsecured director’s loan (the “Director Loan”) of HK\$30,000,000 (31st December 2023: nil), amount due to a minority shareholder of a subsidiary (“Shareholder Loan”) of HK\$25,000,000 (31st December 2023: nil) and lease liabilities of HK\$29,934,000 (31st December 2023: HK\$35,803,000). The purpose of the Term Loan is to finance the construction costs and any other soft costs in relation to Tiffany House and secured by first legal mortgage over properties of Tiffany House with carrying amount as property, stock of properties and restricted cash in aggregate amount of HK\$2,185,686,000 (31st December 2023: HK\$2,308,160,000), interest bearing at Hong Kong Interbank Offered Rate (“HIBOR”) for three or six month period selected by the borrower plus margin of 3% per annum (reduced to 2.85% with effect from 17th June 2024) for each interest period and its repayment schedules are as follows:

Instalments	Repayment Date (counting from 13th December 2022)	Minimum Repayment Amount (HK\$)
1	12 months	50,000,000
2	18 months	160,000,000
3	24 months	160,000,000
4	30 months	160,000,000
5	36 months	160,000,000
6	42 months	160,000,000
7	48 months (final maturity)	850,000,000

There is a clause in the Term Loan that mandatory prepayment in an amount of 90% of the net sales proceeds from Tiffany House (net deduction of direct expenses to be accepted by the lender) or dispositions of any properties or assets of Tiffany House unless otherwise approved by the lender. The remaining sales proceeds from Tiffany House after the repayment shall be deposited into a charge account, and can only be used for the payment of interest of the Term Loan. Up to 30th June 2024, the Group had repaid HK\$233,700,000 (included HK\$114,012,000 in the period) which has fulfilled the minimum repayment requirement in the first 18 months. That means the Group has to repay HK\$296,300,000 within the next 12 months.

The Secured Loan is in original currency of NT\$342,000,000, secured by investment property in carrying amount of HK\$147,267,000, interest bearing at floating rate of 2-year New Taiwan Dollar deposit at Chungwa Post Co., Ltd plus margin 1.43% per annum (i.e. 3.15% as at 30th June 2024) which will mature on 12th March 2028.

Other Loan is secured by personal guarantee provided by Mr. Heung Wah Keung, being chairman and controlling shareholder of the Company, interest bearing at 10% per annum and will mature on 18th December 2024.

The Property Loan is secured by the Group's property in carrying amount of HK\$43,696,000, interest bearing at 13.5% per annum which is drawn on 10th January 2024 and will mature on 10th January 2025.

The purpose of the Construction Loan and the Shareholder Loan is to finance the construction costs of the Property C7. The Construction Loan is secured by lien of the Property C7, interest bearing from 9.5% to 15% per annum and is drawn on 1st April 2024 and will mature six months after the date of occupation permit of the Property C7. The Shareholder Loan is unsecured, interest bearing at 12% per annum and repayable on demand.

The Director Loan is unsecured, interest bearing at 4.025% per annum which is drawn on 13th March 2024 and will mature on 11th March 2025.

As at 30 June 2024, the Group had banking and other facilities amounting to HK\$1,786,116,000 and HK\$240,760,000 which were fully utilised and utilised to the extent of HK\$150,380,000 respectively. The Group's gearing was acceptable during the period with total debts of HK\$1,828,762,000 (31st December 2023: HK\$1,803,257,000) against owners' equity of HK\$2,499,314,000 (31st December 2023: HK\$2,661,142,000). This represents a gearing ratio, calculated in the basis of the Group's total borrowings over owners' equity of 73% (31st December 2023: 68%).

As at the date of approving these interim results and as at 30th June 2024, the fair value of the Group's equity securities listed in Hong Kong held at 30th June 2024 was approximately HK\$10,633,000 and HK\$10,732,000 respectively. During the six months ended 30th June 2024, the Group did not acquired or disposed any equity securities listed in Hong Kong. The loss arising on change in fair value of financial assets at fair value through profit and loss of HK\$11,003,000 was resulted from change in fair values of equity securities listed in Hong Kong between the six months ended 31st December 2023 and 30th June 2024 and included a suspended trading listed security with carrying amount of HK\$4,665,000 as at 31st December 2023. As at 30th June 2024, no single equity security's fair value held by the Group accounted for 5% or more of the total assets of the Group.

During the period, 28,000,000 awards granted to Ms. Chen Ming Yin, Tiffany, the substantial shareholder and executive director of the Company was lapsed and no awards were granted, vested, expired or cancelled. As at 30th June 2024, there were 136,000,000 awards outstanding which are subject to certain vesting conditions.

During the period, no share options of the Company were outstanding, granted, exercised, lapsed, expired or cancelled.

CHARGES OF ASSETS

As at 30th June 2024, property, stock of properties and certain bank accounts in aggregate carrying amount of HK\$2,185,686,000 and quota capital of China Star Creative Development Limited, a wholly owned subsidiary of the Company which is engaged in the business of property development and investment has been pledged for banking facilities of HK\$1,700,000,000 granted to the Group; time deposit in amount of HK\$249,000 has been pledged as guarantee to Macau government for deposits in the development of stock of properties in Macau; investment property in carrying amount of HK\$147,267,000 has been pledged for Secured Loan facility of NT\$342,000,000 (equivalent to HK\$82,148,000) and the Group's property in carrying amount of HK\$43,696,000 have been pledged for the Property Loan facility of HK\$50,000,000 and the Construction Loan facility of HK\$135,760,000 has secured by lien of the Property C7.

EXCHANGE RISK AND HEDGING

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

COMMITMENTS

As at 30th June 2024, outstanding commitments by the Group amounted to HK\$815,581,000, of which HK\$798,393,000 as development expenditure for stock of properties in Macau and HK\$17,188,000 for film rights, films in progress and film deposits.

CONTINGENT LIABILITIES

As at 30th June 2024, the Group had no material contingent liability.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2024, the Group employed 291 staff (30th June 2023: 126 staff) with employee benefit expenses (included directors' remuneration) of HK\$43,620,000 (Six months ended 30th June 2023: HK\$25,736,000), of which HK\$29,083,000 (Six months ended 30th June 2023: HK\$22,998,000) classified as administrative expenses and HK\$14,537,000 (Six months ended 30th June 2023: HK\$2,738,000) classified as marketing, selling and distribution expenses, an overall increase of 69%. The increase mainly included increase in headcount who are responsible for multi-media and entertainment business operations in China and catering and retail operations in Macau. 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 and share awards are awarded to certain staff according to the assessment of individual performance.

EVENT AFTER THE REPORTING DATE

Subsequent to end of the reporting date, the Acquisition was approved by the shareholders of the Company on 8th July 2024 and completed on 12th July 2024.

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

PROSPECT

Looking ahead, the global economy is expected to remain highly uncertain. A number of macroeconomic factors that may affect our business operations, mainly included heightened geopolitical tensions and high interest-rate environment. As the referential indicator prime rate in Macau remains at its peak of 6.125% since the previous interest rate escalation in July 2023, the anticipation that the United States may consider cutting interest rates in the final quarter of 2024 will help the unit price and provide favourable conditions for Macau properties. Therefore, despite short-term market volatilities, the Group remains confident in the long term prospects of Macau's property market. As Tower 1 of Tiffany House is approaching sold out, the Group will start sales of Tower 2 in the coming months. With the sales experience in Tower 1 and the better view in Tower 2, the Group has confident for the sales of Tower 2. For the Property C7, it is expected to obtain its presale permit recently, the Group can then start presales within this year. During the period under review, the Group has successfully diversified its business operations into restaurants and convenience store in the mall of Tiffany House. The Group believes that these residential facilities can benefit the sales of Tiffany House and can also help to contribute profits and cashflow to the Group.

For the multi-media and entertainment business operations, our strategic positioning is clear and concise. Products in our e-commerce platform have the image of premium, trustworthy, authentic and high quality and thus we will sourced those high quality products in order to satisfy the needs of our target customers. The Group will continue to expand its reach for a wider consumer base and to enhance its supply chain and private label product portfolio. Going forward, the Group will continue to source and development our private label products in order to increase our profit margin. The Group also plans to start investment in short dramas and internet movies by using our extensive experience in the film industry.

PURCHASE, SALE OR 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 2024.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices. The Company has applied the principles and complied with all the applicable code provisions laid down in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules during the period from 1st January 2024 to 30th June 2024.

AUDIT COMMITTEE

The audit committee of the Company comprises Messrs. Ho Wai Chi, Paul, Hung Cho Sing and Tai Kwok Leung, Alexander, all being independent non-executive directors. Mr. Ho Wai Chi, Paul is the chairman of the audit committee.

The audit committee of the Company has met and discussed with the Company’s independent auditors, and has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June 2024 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosure has been made.

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 C3 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 2024. The Model Code also applies to other specified senior management of the Group.

PUBLICATION OF INTERIM REPORT

The Company's 2024 interim report will be despatched to the shareholders of the Company on or before 30 September 2024 and will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.chinastar.com.hk or www.irasia.com/listco/hk/chinastar).

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

Hong Kong, 29 August 2024

As at the date of this announcement, the executive directors of the Company are Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Ms. Li Yuk Sheung; the independent non-executive directors of the Company are Mr. Hung Cho Sing, Mr. Ho Wai Chi, Paul and Mr. Tai Kwok Leung, Alexander.