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China Star Cultural Media Group Limited
中國星文化產業集團有限公司*

(In the process of renaming to Lajin Entertainment Network Group Limited)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8172)

(1) SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE;
(2) ADJUSTMENT TO CONVERSION PRICE;
AND
(3) RESUMPTION OF TRADING

THE SUBSCRIPTION

On 10 July 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which subject to the terms and conditions therein the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 459,934,954 Subscription Shares at the Subscription Price of HK\$1.3681 per Subscription Share. The Subscription Shares represent (i) approximately 19.53% of the existing Ordinary Shares; (ii) approximately 16.34% of the issued Ordinary Shares as enlarged by the allotment and issue of the Subscription Shares; and (iii) approximately 10.93% of the issued Ordinary Shares as enlarged by the allotment and issue of the Subscription Shares and the conversion in full of the Preferred Shares (after the Adjustment). The gross proceeds from the Subscription is approximately HK\$629.2 million. The net proceeds, after deducting all relevant costs and expenses, is estimated to be approximately HK\$628.5 million, representing a net subscription price of approximately HK\$1.3665 per Subscription Share.

The Subscription Shares will be issued under the General Mandate.

* For identification only

ADJUSTMENT TO CONVERSION PRICE

Upon completion of the Subscription, the conversion price for the Preferred Shares will be adjusted from HK\$0.20 per Ordinary Share to HK\$0.19 per Ordinary Share.

RESUMPTION OF TRADING

At the request of the Company, trading in the Ordinary Shares has been suspended from 9:00 a.m. on 13 July 2015 pending the publication of this announcement. An application has been made by the Company for the resumption in trading in the Ordinary Shares on GEM with effect from 9:00 a.m. on 14 July 2015.

Completion of the Subscription is subject to the satisfaction of the conditions precedent to the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Ordinary Shares.

THE SUBSCRIPTION

On 10 July 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 459,934,954 Subscription Shares at the Subscription Price of HK\$1.3681 per Subscription Share.

The Subscription Agreement

Date: 10 July 2015

Parties: (i) the Company (as issuer); and
(ii) the Subscriber.

The Subscriber is an investment holding company; it is an indirect wholly-owned subsidiary of CITIC Limited (a company whose issued shares are listed on the main board of the Stock Exchange (Stock Code: 267)). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Subscriber and CITIC Limited are third parties independent of the Company and its connected persons.

The Subscription Shares

The 459,934,954 Subscription Shares represent (i) approximately 19.53% of the existing Ordinary Shares; (ii) approximately 16.34% of the issued Ordinary Shares as enlarged by the allotment and issue of the Subscription Shares; and (iii) approximately 10.93% of the issued Ordinary Shares as enlarged by the allotment and issue of the Subscription Shares and the conversion in full of the Preferred Shares (after the Adjustment as further detailed under the paragraph headed “Adjustment to conversion price” below). The aggregate nominal value of the Subscription Shares is HK\$4,599,349.54.

Ranking of the Subscription Shares

The Subscription Shares will rank pari passu in all respects with the Ordinary Shares in issue as at the date of allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$1.3681 per Subscription Share represents:

- (i) a discount of 19.99% to the closing price of HK\$1.71 per Ordinary Share as quoted on GEM on 10 July 2015, being the date of the Subscription Agreement; and
- (ii) a premium of approximately 7.9% over the average closing price of approximately HK\$1.268 per Ordinary Share for the last five consecutive trading days up to and including 9 July 2015, being the last trading day immediately prior to the date of the Subscription Agreement.

The net proceeds, after deducting all relevant costs and expenses, is estimated to be approximately HK\$628.5 million, representing a net subscription price of approximately HK\$1.3665 per Subscription Share.

The Subscription Price was arrived at after arm’s length negotiations between the Company and the Subscriber with reference to the recent trading price and liquidity of the Ordinary Shares. The Directors consider that the Subscription Price is fair and reasonable.

Conditions of the Subscription

Completion of the Subscription shall be subject to and conditional upon the following:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;
- (ii) the Company having obtained all necessary approvals from the relevant authorities regarding the Subscription; and

(iii) the Subscriber and the parent company of the Subscriber having obtained all necessary authorization and internal approvals for entering into and execution of the Subscription Agreement.

In the event that the conditions of the Subscription are not fulfilled on or before 31 August 2015 (or such other date and time as may be agreed between the parties in writing), the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement.

Completion of the Subscription

Following fulfillment of the conditions to the Subscription, the Company shall notify the Subscriber of the completion date of the Subscription which shall be five Business Days after such notification.

General Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the General Mandate and is not subject to Shareholders' approval. The maximum number of Ordinary Shares that can be issued under the General Mandate is 459,934,954 Ordinary Shares. As at the date of this announcement, no Ordinary Shares have been issued by the Company pursuant to the General Mandate.

Application for listing

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the provision of artist management services and film production and distribution. The Group intends to develop more kinds of entertainment businesses including films, dramas, concerts, sports events, and shows, etc. and to establish an online media platform for different media contents.

The gross proceeds and the net proceeds from the Subscription is approximately HK\$629.2 million and HK\$628.5 million respectively. The net proceeds are intended to be applied as follows:

- as to approximately HK\$208.5 million for the development of an on-line platform for the provision of music contents including songs, concerts, music programmes and other music related services, and;
- as to approximately HK\$150 million for acquisition and investment in Korean entertainment companies engaged in production of entertainment programmes, musical programmes and artist agency services;

- as to approximately HK\$70 million for the establishment of a production base in the PRC for the development and production of media contents, and as the training centre for artists; and
- as to the remaining balance of approximately HK\$200 million for general working capital, as reserve for future acquisitions, and for possible acquisition of properties for office and production site.

In addition to providing additional funding for the Group's continuous business developments, the Company believes that the Subscription will bring in the Subscriber as a strategic shareholder to contribute to the development of the Group's entertainment business.

ADJUSTMENT TO CONVERSION PRICE

Upon completion of the Subscription, the conversion price of the Preferred Shares will be adjusted from HK\$0.20 per Ordinary Share to HK\$0.19 per Ordinary Share. The adjustment has been computed in accordance with the terms of the Preferred Shares. Apart from the aforesaid adjustment, all the other terms of the Preferred Shares (as detailed in the Company's circular dated 18 February 2015) remain unchanged.

EFFECT ON SHAREHOLDING STRUCTURE

The Company has 2,354,866,968 Ordinary Shares in issue as at the date of this announcement. The table below is for illustrative purposes only and sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon allotment and issue of the Subscription Shares; and (iii) upon allotment and issue of the Subscription Shares and conversion in full of the Preferred Shares (after the Adjustment), absent any other changes to the Ordinary Shares:

	As at the date of this announcement		Immediately after completion of the Subscription and before the conversion in full of the Preferred Shares (after the Adjustment) (Note)		Immediately after completion of the Subscription and after the conversion in full of the Preferred Shares (after the Adjustment) (Note)	
	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%
Jiaxuan Group Company Limited	965,863,405	41.01	965,863,405	34.31	1,982,561,725	47.10
Vision Path Limited	206,970,730	8.79	206,970,730	7.35	424,834,655	10.09
First Charm Investments Limited	151,778,535	6.45	151,778,535	5.39	311,545,414	7.40
The Subscriber	—	—	459,934,954	16.34	459,934,954	10.93
Other Shareholders	1,030,254,298	43.75	1,030,254,298	36.61	1,030,254,298	24.48
Total	<u>2,354,866,968</u>	<u>100.00</u>	<u>2,814,801,922</u>	<u>100.00</u>	<u>4,209,131,046</u>	<u>100.00</u>

Note:

The conversion of the Preferred Shares into Ordinary Shares is subject to the Preferred Shares having been fully paid up and the public float requirements under the GEM Listing Rules.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the equity fund raising activities conducted by the Company in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Description	Net proceeds	Intended use of proceeds	Actual use of proceeds
18 December 2014	Subscription of new Ordinary Shares and new Preferred Shares, completion of which took place on 19 March 2015	HK\$538 million [^] (approximately HK\$286.4 million has been received and the remaining net proceeds of approximately HK\$251.6 million is receivable according to the terms and conditions set out in the Company's circular dated 18 February 2015).	(i) HK\$16 million for investment in Korean media resources; (ii) HK\$323 million for organizing exhibitions, performance shows and concerts; (iii) HK\$152 million for investment and production of TV programmes and movies; (iv) HK\$44 million for the establishment of an online platform; and (v) HK\$3 million for general working capital of the Group	Approximately HK\$4.5 million was used for pre-operating expenses in Korea's branch office; and approximately HK\$7.5 million was used as production cost of a film in progress.

Note:

[^] The net proceeds are calculated based on the gross proceeds net of actual expenses incurred for the subscription.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Adjustment”	the adjustment to the conversion price of the Preferred Shares as further set out under the paragraph headed “Adjustment to conversion price” of this announcement
“associate(s)”	has the same meaning as ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday or Sunday or public holiday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 p.m. and is not cancelled by 12:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
“Company”	China Star Cultural Media Group Limited (stock code: 8172), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the Ordinary Shares of which are listed on GEM
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the same meaning as ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors to allot and issue up to 459,934,954 new Ordinary Shares at the annual general meeting of the Company held on 12 June 2015
“Group”	the Company and its subsidiaries
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ordinary Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“PRC”	the People’s Republic of China (which for the purpose of the Subscription Agreement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“Preferred Share(s)”	the convertible preferred shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Ordinary Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	CITIC Investment (HK) Limited (中信投資管理(香港)有限公司)
“Subscription”	the subscription of the Subscription Shares under the Subscription Agreement
“Subscription Agreement”	the agreement entered into between the Company and the Subscriber dated 10 July 2015 in respect of the Subscription
“Subscription Price”	HK\$1.3681 per Subscription Share
“Subscription Shares”	459,934,954 new Ordinary Shares to be subscribed by the Subscriber
“%”	percentage

By order of the Board
China Star Cultural Media Group Limited
Chan Kam Kwan Jason
Company Secretary

Hong Kong, 13 July 2015

As at the date of this announcement, the executive Director is Ms. Wu Li, the non-executive Directors are Mr. Zou Xiao Chun and Mr. Zhou Ya Fei and the independent non-executive Directors are Mr. Wang Ju, Mr. Ng Wai Hung and Mr. Lam Cheung Shing Richard.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will be published on the GEM website on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the Company’s website at www.chinastarcmg.com.hk.