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

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8172)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE "GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of China Star Cultural Media Group Limited (formerly known as China Media and Films Holdings Limited) (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 in this announcement misleading.

* *For identification only*

ANNUAL RESULTS

The board of directors (the "Board") of China Star Cultural Media Group Limited (formerly known as China Media and Films Holdings Limited) (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014, together with the comparative audited figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Turnover	*6*	**5,949**	15,698
Cost of sales		**(4,429)**	(10,948)
Gross profit		**1,520**	4,750
Other revenue and other income	*7*	**685**	2,445
Administrative expenses		**(11,682)**	(19,139)
Finance costs	*8*	**—**	(563)
Gain arising on change in fair value of financial assets classified as held for trading investments		**2,253**	—
Gain on disposal of subsidiaries		**5,261**	—
Share of results of joint ventures		**(638)**	(322)
Loss before tax	*9*	**(2,601)**	(12,829)
Income tax expense	*10*	**—**	—
Loss for the year		**(2,601)**	(12,829)
Loss for the year attributable to:			
Owners of the Company		**(2,601)**	(12,828)
Non-controlling interests		**—**	(1)
		(2,601)	(12,829)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(2,601)**	(12,828)
Non-controlling interests		**—**	(1)
		(2,601)	(12,829)
Loss per share	*11*		
Basic and diluted		**HK(0.35) cent**	HK(2.54) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**8**	1,721
Film rights		**592**	912
Interests in joint ventures		**4**	28,317
Total non-current assets		**604**	30,950
Current assets			
Held for trading investments	*12*	**17,115**	—
Trade receivables	*13*	**—**	50
Deposits, prepayments and other receivables	*14*	**2,502**	3,116
Amount due from a joint venture		**—**	6
Cash and cash equivalents		**158,800**	48,780
Total current assets		**178,417**	51,952
LIABILITIES			
Current liabilities			
Accruals and other payables		**1,357**	5,292
Receipts in advance		**2,875**	3,408
Amount due to a joint venture		**3**	—
Convertible loan notes		**—**	—
Total current liabilities		**4,235**	8,700
Net current assets		**174,182**	43,252
Total assets less current liabilities		**174,786**	74,202
Net assets		**174,786**	74,202
EQUITY			
Share capital		**9,198**	5,056
Reserves		**165,588**	69,137
Equity attributable to owners of the Company		**174,786**	74,193
Non-controlling interests		**—**	9
Total equity		**174,786**	74,202

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Convertible loan notes reserve *HK$'000*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2013	5,056	47,383	28,294	2,381	(358)	82,756	—	82,756
Net loss for the year	—	—	—	—	(12,828)	(12,828)	(1)	(12,829)
Other comprehensive income for the year	—	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(12,828)	(12,828)	(1)	(12,829)
Non-controlling interests arising on issuing ordinary share of subsidiary	—	—	—	—	—	—	10	10
Transfer to accumulated losses upon extinguishment of old convertible loan notes	—	—	—	(2,381)	2,381	—	—	—
Recognition of the equity component of new convertible loan notes	—	—	—	4,265	—	4,265	—	4,265
At 31 December 2013 and 1 January 2014	5,056	47,383	28,294	4,265	(10,805)	74,193	9	74,202
Net loss for the year	—	—	—	—	(2,601)	(2,601)	—	(2,601)
Other comprehensive income for year	—	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(2,601)	(2,601)	—	(2,601)
Release of non-controlling interests upon disposal of subsidiaries	—	—	—	—	—	—	(9)	(9)
Placing of new shares	4,000	103,000	—	—	—	107,000	—	107,000
Share issuing expenses	—	(3,806)	—	—	—	(3,806)	—	(3,806)
Conversion of new convertible loan notes	142	4,123	—	(4,265)	—	—	—	—
At 31 December 2014	**9,198**	**150,700**	**28,294**	**—**	**(13,406)**	**174,786**	**—**	**174,786**

Notes:

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 June 2001 and continued in Bermuda on 16 March 2009. The Company's shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 March 2002.

The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 3407, 34/F., Shun Tak Centre West Tower, 168-200 Connaught Road Central, Hong Kong respectively.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries and joint ventures are provision of artist management, investment holding and film production and distribution.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs and a new Interpretation for the first time in the current year:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Group does not qualify to be an investment entity.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36 ***Recoverable Amount Disclosures for Non-Financial Assets***

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets, among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit ("CGU") whose recoverable amount is based on fair value less costs of disposal. The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 ***Novation of Derivatives and Continuation of Hedge Accounting***

The amendments to HKAS 39 provide relief from discounting hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

HK(IFRIC) — Int 21 ***Levies***

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

3. ISSUE BUT NOT YET EFFECTIVE HKFRSs

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
HKFRS 9	Financial Instruments[5]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[3]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[3] *(Note)*
HKFRS 15	Revenue from Contracts with Customers[4]
HKAS 1 (Amendments)	Disclosure Initiative[3]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[3]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[3]

[1] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.
[3] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[5] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Note: HKFRS 14 *Regulatory Deferral Accounts* is not applicable to the Group as the Group is not a first-time adopter of HKFRSs.

The directors of the Company is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

4. BASIS OF PREPARATION

The preparation of the consolidated financial statements in conformity with HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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

5. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on the types of goods and services delivered or provided. In respect of the "artist management" and "film production and distribution" operations, the information reported to the CODM is further broken down into the different sales channels. No operating segments identified by the CODM have been aggregated in arriving at the reportable segment of the Group.

The Group's reportable and operating segments under HKFRS 8 are as follows:

(i)	Artist management	Service income from provision of artist management
(ii)	Film production and distribution	Investment in, production of, sale and distribution of films

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Artist Management		Film production and distribution		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue to external customers	**5,939**	15,667	**10**	31	**5,949**	15,698
Segment results						
Segment loss	**(1,392)**	(1,551)	**(484)**	(294)	**(1,876)**	(1,845)
Unallocated other revenue and other income					**308**	2,257
Unallocated expenses					**(7,909)**	(12,356)
Loss from operating activities					**(9,477)**	(11,944)
Gain arising on change in fair value of financial assets classified as held for trading investments					**2,253**	—
Gain on disposal of subsidiaries					**5,261**	—
Share of results of joint ventures					**(638)**	(322)
Finance costs					**—**	(563)
Loss before tax					**(2,601)**	(12,829)
Income tax expense					**—**	—
Loss for the year					**(2,601)**	(12,829)

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

Segment results represents the loss suffered by each of segment without allocation of central administration costs including directors' emoluments, share of results of joint ventures, partial other revenue and other income, finance costs, and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

	Artist management		Film production and distribution		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**2,407**	48,618	**2,072**	2,402	**4,479**	51,020
Unallocated assets					**174,542**	31,882
Total assets					**179,021**	82,902
Segment liabilities	**3,181**	3,833	**—**	—	**3,181**	3,833
Unallocated liabilities					**1,054**	4,867
Total liabilities					**4,235**	8,700

For the purpose of resource allocation and assessment of segment performance between segments:

- all assets are allocated to reportable segment other than interests in joint ventures, held for trading investments and unallocated head office and corporate assets as these assets are managed on a group basis. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to reportable segments other than other unallocated head office and corporate liabilities as these liabilities are managed on a group basis. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

(c) Other segment information

	Artist management		Film production and distribution		Unallocated		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment	**5**	5	**—**	—	**129**	518	**134**	523
Written off of property, plant and equipment	**—**	—	**—**	—	**1,579**	—	**1,579**	—
Impairment loss recognised in respect of film rights	**—**	—	**320**	276	**—**	—	**320**	276
Impairment loss recognised in respect of deposits paid to artists	**—**	2,554	**—**	—	**—**	—	**—**	2,554
Gain on disposal of property, plant and equipment	**—**	70	**—**	—	**—**	—	**—**	70
Bank interest income	**377**	184	**—**	—	**56**	—	**433**	184
Finance cost	**—**	—	**—**	—	**—**	563	**—**	563
Share of results of joint ventures	**—**	—	**—**	—	**638**	322	**638**	322
Interests in joint ventures	**—**	—	**—**	—	**4**	28,317	**4**	28,317

(d) Geographical information

In determining the Group's geographical information, revenue information is based on the location of the customers, and asset information is based on the location of the assets.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets*	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China	**2,560**	9,646	**—**	—
Hong Kong	**3,359**	5,652	**600**	2,633
Others	**30**	400	**—**	—
	5,949	15,698	**600**	2,633

* Non-current assets excluded those relating to interest in joint ventures.

(e) Information about major customers

During the year ended 31 December 2014, included in revenue arising from artists management of approximately HK$5,939,000 (2013: 15,667,000) are revenue of approximately HK$1,261,000, HK$684,000 and HK$597,000 (2013: HK$1,866,000 and HK$3,362,000 arose from two largest customers) which arose from three largest customers of the Group respectively, contributed 10% or more of the Group's revenue for 2014.

6. TURNOVER

Turnover represents the net amount received and receivables from customers and services rendered.

	2014	2013
	HK$'000	*HK$'000*
Artist management	**5,939**	15,667
Film production and distribution	**10**	31
	5,949	15,698

7. OTHER REVENUE AND OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**433**	184
Consultancy fee income	**252**	252
Gain on disposal of property, plant and equipment	—	70
Gain on extinguishment of convertible loan notes	—	1,935
Sundry income	—	4
	685	2,445

8. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Effective interest expenses on convertible loan notes	—	563

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2014	2013
	HK$'000	*HK$'000*
Auditors' remuneration	**570**	570
Depreciation of property, plant and equipment	**134**	523
Written off of property, plant and equipment	**1,579**	—
Impairment loss recognised in respect of		
— film rights	**320**	276
— deposits paid to artists	**—**	2,554
Minimum lease payments under operating leases on land and buildings	**1,122**	4,549
Staff costs (excluding directors' remuneration)		
— salaries and allowances	**3,765**	7,247
— retirement benefits scheme contributions	**88**	166

10. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

No provision for Hong Kong Profits Tax has been made for both years as the Group has no assessable profits derived from Hong Kong.

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

At 31 December 2014, the Group had estimated unused tax losses of approximately HK$102,417,000 (2013: HK$100,314,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

11. LOSS PER SHARE

The basic and diluted loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(2,601)**	(12,828)

	2014	2013
	'000	*'000*
Weighted average number of ordinary shares in issue	**742,896**	505,650

The denominators used are the same as those detailed above for both basic and diluted loss per share.

12. HELD FOR TRADING INVESTMENTS

	2014	2013
	HK$'000	*HK$'000*
Listed securities:		
— Equity securities listed in Hong Kong, at fair value	**17,115**	—

At the end of the reporting period, all financial assets at fair value through profit or loss are stated at fair value. Fair values of listed securities are determined with reference to quoted market bid prices.

13. TRADE RECEIVABLES

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates:

	2014	2013
	HK$'000	*HK$'000*
0-90 days	**—**	50

The credit terms granted to the Group's customers vary and are generally the results of negotiations between the Group and individual customers. The Group has no significant concentrations of credit risk, with exposure spreads over a large number of customers. The credit terms of trade receivables are generally on 10 to 180 days for both years.

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Deposits, net of impairment	**2,073**	3,005
Prepayments	**416**	69
Other receivables	**13**	42
	2,502	3,116

At 31 December 2014, deposits with amount of approximately HK$2,059,000 (2013: HK$1,871,000) represented the deposits paid for artists management and film production.

Movements in impairment loss recognised in respect of deposits paid to artists are as follows:

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**7,994**	5,440
Impairment loss recognised in respect of deposits paid to artists	**—**	2,554
At 31 December	**7,994**	7,994

Included in the above impairment loss recognised in respect of deposits paid to artists is provision for individually impaired receivables with a balance of HK$2,554,000 with a gross carrying amount of approximately HK7,994,000 for the year ended 31 December 2013. The impaired deposits are individually determined to be impaired after considering overdue ageing analysis and other qualitative factors.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2014 (2013: Nil).

CHANGE OF COMPANY NAME

On 9 April 2014, the Company proposed to change the English name of the Company from "China Media and Films Holdings Limited" to "China Star Cultural Media Group Limited" and the Chinese name of the Company "中國星文化產業集團有限公司" will be adopted to replace "中國傳媒影視控股有限公司" for identification purpose only. Please refer to the Company's announcement dated 9 April 2014 and circular dated 8 May 2014 for more details. On 29 July 2014, the Certificate of Registration of Alteration of Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong confirming the registration of the new name "China Star Cultural Media Group Limited 中國星文化產業集團有限公司*" of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Artist Management

During the year under review, the revenue contributed by such segment was approximately HK$5,939,000 (2013: HK$15,667,000), representing a decrease of approximately 62.1% due to the tough business competition as compared with the year ended 31 December 2014.

* *For identification only*

The gross profit margin decreased to approximately 25.5% (2013: 30.3%). The stable gross profit margin in such segment was in line with the management's expectation.

Pending Litigation

On 30 May 2011, China Star Management Limited, an indirect wholly-owned subsidiary of the Company, issued a Writ of Summons to claim against Tang's Workshop Limited ("Tang's Workshop") for the sum of HK$127,500, being the fees charged for the services rendered and material supplied to Tang's Workshop. At the date of this announcement, the litigation has yet to be settled.

Share of Results of Joint Ventures

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition of profits or losses and movements in other comprehensive income. China Star Film Group Limited ("China Star Film Group"), a joint venture, is principally engaged in film production and distribution. During the year under review, China Star Film Group did not have any additional film rights and the share of its losses approximately HK$638,000 was recorded (2013: HK$322,000).

China Star Film Group has two films in the preproduction phase. Due to the scheduling of the film casts and revision to the scripts, shooting of these two films has been delayed, and its completion date and the release date of the said films have not been determined.

On 31 July 2014, the issued share capital of China Star Film Group has been reduced through a cancellation of the paid-up capital of the China Star Film Group to the extent of HK$922,500 on each of the issued share such that the value of each issued share of China Star Film Group has been reduced from HK$1,000,000 to HK$77,500 ("Share Capital Reduction"). The credit arising from the Share Capital Reduction amounting to HK$27,675,000 was distributed to the Company.

In early August 2012, Eternity Investment Limited ("Eternity") (stock code: 764), a company listed on the Main Board of the Stock Exchange, became a substantial shareholder of the Company by acquiring an approximately 29.00% shareholding interest in the Company. Given that Eternity has engaged in film distribution business in the People's Republic of China ("PRC") since 2001, the acquisition of 29.00% equity interest in the Company by Eternity presents a good opportunity for the Group to form a strategic alliance with Eternity by leveraging its expertise, network and connections in the film distribution industry in the PRC. After the completion of placing on 15 April 2014 and 17 June 2014, the shareholding interest of Eternity in the Company decreased from 29.00% to 16.19%. After the conversion of convertible loan notes on 16 October 2014, the shareholding interest of Eternity in the Company further decreased from 16.19% to 15.94%. On 19 December 2014, Eternity disposed of 75,800,000 shares of the Company, the shareholding interest of Eternity in the Company further decreased from 15.94% to 7.70%.

During the year under review, the Group has disposed of the entire issued share capital of nine subsidiaries to an independent third party at a cash consideration of HK$24.4. On 17 April 2014, the Group has completed the acquisition of China Star Movie Limited. On 23 May 2014, the Group has acquired the entire issued shares in China Star International Movie Limited. With Mr. Heung Wah Keung ("Mr. Heung") resignation as an executive Director of the Company with effect from 7 October 2014 and cessation of his involvement in the film production business of the Company, the Directors of the Company consider that the interests of the Company would be better served by re-allocating and focusing its management and other resources to its other business segments. On the same day, the Group has disposed of the entire issued share capital of China Star Movie Limited at a cash consideration of HK$8,673,258.

Going through the above restructuration and reorganisation of the Group can enable the Company to further develop its business by focusing its management and company's resources on different business segments.

Financial Review

The revenue of the Group was approximately HK$5,949,000 for the year ended 31 December 2014 (2013: HK$15,698,000), and it was generated from the provision of artist management and film distribution, representing a decrease of 62.1% as compared with the year ended 31 December 2013.

Administrative expenses were mainly the staff costs, operating leases and other general administrative expenses of the Group incurred during the year under review. Administrative expenses decreased by 39.0% to approximately HK$11,682,000 from approximately HK$19,139,000 in prior year. It was mainly attributed from decrease in expenses on operating leases amounted to approximately HK$1,122,000 (2013: HK$4,549,000) and salaries and allowances amounted to approximately HK$3,765,000 (2013: HK$7,247,000).

The operating leases, as the rental expenses paid to shareholder, is a facility sharing agreement ("Agreement") dated 30 April 2012 entered into between Golden Island Catering Group Company Limited ("Golden Island"), a wholly-owned subsidiary of Culture Landmark Investment Limited ("Culture Landmark"), and our subsidiary. Pursuant to the Agreement, the aggregate annual fees payable for each of the two years ending 31 March 2014 will be subject to the cap amount of HK$4,800,000, being the maximum annual amount payable. Golden Island is a connected person of the Company and the Agreement constitutes a continuing connected transaction of the Company.

For details of the continuing connected transaction, please refer to the announcement dated 30 April 2012. The Agreement was expired on 31 March 2014.

No finance costs were incurred during the year under review (2013: HK$563,000).

During the year under review, loss for the year attributable to owners of the Company was approximately HK$2,601,000 (2013: HK$12,828,000), which was mainly attributed from the administrative expenses amounted to approximately HK$11,682,000 (2013: HK$19,139,000) and the share of losses of joint ventures amounted to HK$638,000 (2013: HK$322,000). However, a gain arising on change in fair value of financial assets classified as held for trading investments of HK$2,253,000 and an one-off gain on disposal of subsidiaries amounted to approximately HK$5,261,000 should have mitigated the loss for the year attributable to owners of the Company.

Liquidity and Financial Resources

At 31 December 2014, the Group had total assets of approximately HK$179,021,000 (2013: HK$82,902,000), including cash and cash equivalents of approximately HK$158,800,000 (2013: HK$48,780,000). During the year under review, the Group financed its operation with internally generated cash flows, two conditional placings and proceeds from reduction of investment in joint ventures.

Capital Structure

During the year under review, the Company issued 100,000,000 new shares on 15 April 2014 and 300,000,000 new shares on 17 June 2014. The details are as follow.

On 3 April 2014, the Company entered into a conditional placing agreement with Kingston Securities Limited, pursuant to which the Company has conditionally agreed to place, through Kingston Securities Limited, on a best effort basis, up to 100,000,000 new shares to six independent investors at a price of HK$0.23 per new share. The new shares were allotted and issued under the general mandate granted to the Directors by shareholders at the annual general meeting of the Company held on 16 May 2013. Please refer to the Company's announcement dated 3 April 2014 for more details. The placing of 100,000,000 new shares was completed on 15 April 2014. The net proceeds of approximately HK$22,100,000 was applied (i) HK$4,340,000 was utilised for the acquisition of China Star Movie Limited as announced by the Company on 14 April 2014; (ii) approximately HK$3,500,000 was used as general corporate purposes; and (iii) the remaining proceeds are currently placed as interest bearing deposits with licensed bank in Hong Kong as at 31 December 2014.

On 24 April 2014, the Company entered into a conditional placing agreement with Kingston Securities Limited, pursuant to which the Company has conditionally agreed to place, through Kingston Securities Limited, on a best effort basis, up to 300,000,000 new shares to six independent investors at a price of HK$0.28 per new share. The new shares were allotted and issued under the specific mandate granted to Directors by shareholders at the special general meeting held on 10 June 2014. Please refer to the Company's announcement dated 24 April 2014 and Company's circular dated 20 May 2014 for more details. The placing of 300,000,000 new shares was completed on 17 June 2014. The net proceeds of approximately HK$81,000,000 intend for used in the film production and/or general working capital purpose. As at 31 December 2014, the net proceeds are placed as interest bearing deposits with licensed bank in Hong Kong.

Pursuant to the instrument constituting the convertible loan notes (the "Convertible Loan Notes") issued by the Company on 25 September 2008, the conversion price of the Convertible Loan Notes shall be adjusted from HK$0.487 per share to HK$0.436 per share after the completion of the issue of 100,000,000 and 300,000,000 new shares of the Company. The auditors of the Company have reviewed the adjustment with respect to the conversion price of the Convertible Loan Notes and agreed that the adjustment is in accordance with the instrument constituting the Convertible Loan Notes. On 16 October 2014, the principal amount of HK$6,200,000 of Convertible Loan Notes was converted into 14,220,183 ordinary shares of the Company.

Gearing Ratio

The gearing ratio, expressed as percentage of total liabilities over total assets, was approximately 2.4% (2013: 10.5%). The improvement in gearing ratio was mainly derived from the decrease of current liabilities in accruals and other payables from approximately HK$5,292,000 to HK$1,357,000 as compared with that in prior year. At the same time, the increase of held for trading investments of HK$17,115,000 and cash and cash equivalents from HK$48,780,000 to HK$158,800,000 also provide the positive improvement on the company's gearing ratio.

Charge on the Group's Assets

At 31 December 2014, the Group did not have any charge on its assets.

Foreign Exchange Risk

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management closely monitors the exposures and will consider hedging the exposures should the need arise.

Commitments

At 31 December 2014, the Group had no commitments (2013: nil).

Contingent Liabilities

At 31 December 2014, the Group had no contingent liabilities (2013: nil).

Employees

At 31 December 2014, the Group had 8 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performances, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme. Other benefits include share options granted or to be granted under the share option scheme.

Significant Investment

The Group did not hold any significant investment during the year ended 31 December 2014.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

On 14 April 2014, Dance Star Group Limited ("Dance Star"), a wholly owned subsidiary of the Company, and China Star Entertainment Holding Limited ("CSEHL"), a indirect wholly owned subsidiary of China Star Entertainment Limited ("China Star", stock code 326), entered into a sale and purchase agreement, pursuant to which Dance Star has conditionally agreed to acquire and CSEHL has conditionally agreed to sell the total issued and paid up capital of and the shareholder's loan due by China Star Movie Limited for an aggregate consideration of HK$4,340,000 in cash. The acquisition was constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The acquisition was completed on 17 April 2014. Please refer to the Company's announcement dated 14 April 2014 for more details.

On 7 October 2014, Dance Star and CSEHL entered into a sale and purchase agreement, pursuant to which CSEHL has conditionally agreed to acquire and Dance Star has conditionally agreed to sell the total issued and paid up capital of and the shareholder's loan due by China Star Movie Limited for an aggregate consideration of HK$8,673,258 in cash. The disposal was constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The disposal was completed on 9 October 2014. Please refer to the Company's announcement dated 7 October 2014 for more details.

During the year under review, the Group also disposed of the entire issued share capital of nine subsidiaries to an independent third party at a cash consideration of HK$24.4.

Save as disclosed therein, the Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 December 2014.

Future Plans

On 24 November 2014, (i) the Company, and (ii) Jiaxuan Group Company Limited (稼軒集團有限公司) ("Jiaxuan"), Vision Path Limited, First Charm Investments Limited and Reorient Global Limited (collectively, the "Subscribers") entered into the subscription agreement ("Subscription Agreement") pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 2,759,609,727 subscription shares, comprising 1,379,804,865 new ordinary shares and 1,379,804,862 new preferred shares at an issue price of HK$0.20 per subscription share (the "Subscription"). On 16 February 2015, the Company and the Subscribers entered into a supplemental agreement to the Subscription Agreement to vary certain terms of the Subscription relating to the Subscribers' director nomination rights. Further details are set out in the Company's announcement dated 18 December 2014 and 16 February 2015.

Jiaxuan is an investment holding company ultimately owned as to 55% by Mr. Wong Kwong Yu and as to 45% by Ms. Ma Qing. Mr. Wong Kwong Yu is the founder of GOME Electrical Appliances Holding Limited which is a leading chain-store retailer of home appliances and consumer electronic products in the PRC. Ms. Ma Qing is the spouse of Mr. Xu Zhongmin ("Mr. Xu"). Mr. Xu is a director of Jiaxuan and was the founder of Jingwen Records Co., Ltd.(京文唱片) ("Jingwen"). Jingwen was a music producer and distributor in the PRC fostering a number of famous artists including Han Hong(韓紅), Cui Jian(崔健) and Wang Feng(汪峰). It published and distributed albums of Mao Yamin(毛阿敏), Li Yundi(李雲迪), Lang Lang(朗朗) and other famous artists in the PRC. While Jingwen was developing the local original music, it introduced music albums and video contents from international producers and distributors including Warner Bros. Records, EMI, Universal Music, Universal Picture, Discovery Channel and National Geographic Channel. It extended its business to publication of books and investment in multi-media educational materials. Mr. Xu is actively involved in the investment in TV programmes and artist management business and has been involved in producing concerts in the PRC and performance shows in Las Vegas, the United States of America. In view of Mr. Xu's experience in the entertainment industry in the PRC, it is envisaged that he will take part in the management of the Group's future business development in the PRC. The Subscribers group (comprising Jiaxuan and other financial investors), in particular Jiaxuan, believes that the investment in the Group will allow them to form a strategic relationship in the entertainment business through a listed platform with potentials of ongoing fund raising in future.

The Group intends to strengthen the existing film production business to more actively produce films and TV programmes. To achieve this purpose, the Group would consider opportunities for (i) acquiring film rights of popular Korean programmes and reproducing such programmes for audience in the PRC; and (ii) co-operating with well-known international producers to make movies. In parallel with developing the Group's existing business, the Group would organise exhibitions, performance shows and concerts in major cities in the PRC and establish an online platform, including acquiring and producing media contents such as videos, and live performances and concerts to be provided on such platform. It is also the intention that the Group would cooperate with an independent technology company, such as by way of establishing joint ventures and/or making equity investment in the technology company, to provide on-line news search and video-on-demand services to Internet users. Definitive terms of the cooperation have not been reached yet and such cooperation may or may not proceed. The Group will also invest in Korea-related media contents, film scripts and production.

Events after the Reporting Period

Subsequent to 31 December 2014 and up to the date of this announcement, the Group had the following material events:

On 24 November 2014, the Company, and Subscribers entered into the Subscription Agreement (as amended by the supplemental agreement dated 16 February 2015) pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 2,759,609,727 subscription shares, comprising 1,379,804,865 new ordinary shares and 1,379,804,862 new preferred shares at an issue price of HK$0.20 per subscription share. The aggregate subscription price amounts to approximately HK$551,922,000.

In addition, on 24 November 2014 the Company has an authorised share capital of HK$30,000,000 divided into 3,000,000,000 ordinary shares of HK$0.01 each. In view of the Subscription, the Board proposes to increase the authorised share capital of the Company from HK$30,000,000 to HK$100,000,000 by (i) the creation of an additional 5,000,000,000 ordinary shares and (ii) the creation of 2,000,000,000 new preferred shares, such that the authorised share capital of the Company will be HK$100,000,000 divided into 8,000,000,000 ordinary shares and 2,000,000,000 preferred shares.

The Subscription and the increase in authorised share capital were approved by the shareholders at the special general meeting held on 16 March 2015. The Subscription was completed on 19 March 2015. Details please refer to the Company's announcement dated 18 December 2014, 16 February 2015, 27 February 2015, 16 March 2015 and 19 March 2015 and Company's circular dated 18 February 2015.

After the completion of Subscription, the shareholding interest of Eternity in the Company further decreased from 7.70% to 3.08% and is not a substantial shareholder of the Company.

CONNECTED TRANSACTIONS

Continuing Connected Transaction

Golden Island, a wholly-owned subsidiary of Culture Landmark, as tenant entered into the tenancy agreement dated 30 March 2011 with China Resources Property Management Limited in respect of the lease of the premises ("Premises") which located at rooms 2506-09, 25th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong for a term of three years from 1 April 2011 to 31 March 2014.

On 30 April 2012, KH Investment Holdings Limited (formerly known as China Media and Films Holdings Limited), a wholly-owned subsidiary of the Company, entered into the Agreement with Golden Island in respect of sharing of the Premises and facilities thereof. Golden Island has also agreed to provide office supporting services, including provision of receptionist and such other services as may be requested by the Group.

Golden Island is a wholly-owned subsidiary of Culture Landmark and Culture Landmark is the controlling shareholder of the Company indirectly interested in approximately 74.95% of the issued share capital of the Company at 30 April 2012.

Accordingly, Golden Island is a connected person of the Company and the Agreement constitutes a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As the annual cap fees under the Agreement for each of the two years ending 31 March 2014 is HK$4,800,000, whose all applicable percentage ratios are less than 5% on an annual basis, the Agreement is subject to the reporting and announcement requirements under Rules 20.45 to 20.47, the annual review requirements set out in Rules 20.37 to 20.40 and the requirements set out in Rules 20.35(1) and 20.35(2) of the GEM Listing Rules, but is exempt from the circular and independent shareholders' approval requirements under Rules 20.49 to 20.54 of the GEM Listing Rules.

Golden Island has agreed to provide use of office space and facilities at portion to the Group. The Premises will be used as offices by the Group. The Directors (including the independent non-executive Directors) are of the opinion that the Agreement was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations between the parties with reference to the prevailing market rates for comparable office buildings in Wan Chai; and (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the Agreement.

For the details of the continuing connected transaction, please refer to the announcement dated 30 April 2012. The agreement was expired on 31 March 2014.

Connected Transaction

On 14 April 2014, Dance Star and CSEHL entered into the sale and purchase agreement, pursuant to which Dance Star has conditionally agreed to acquire and CSEHL has conditionally agreed to sell the total issued and paid up capital of and the shareholder's loan due by China Star Movie Limited for an aggregate consideration of HK$4,340,000 in cash. Mr. Heung is the chairman and the executive director of both the Company and China Star. He is interested in 4,661,203,680 shares of China Star, representing approximately 41.5% of entire issued share capital of China Star on 14 April 2014. As Mr. Heung is the substantial shareholder of China Star, CSEHL is the connected person of the Company and therefore the transaction constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratio under the GEM Listing Rules for the transaction is more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

The Directors consider that the transaction will enable the Group to further develop its film production business. The acquisition was completed on 17 April 2014. Please refer to the Company's announcement dated 14 April 2014 for more details.

On 23 May 2014, the Group acquired the entire issued shares in China Star International Movie Limited at a cash consideration of HK$7.8 from China Star Entertainment (BVI) Limited, a wholly owned subsidiary of China Star. As Mr. Heung is the substantial shareholder of China Star, the China Star Entertainment (BVI) Limited is also the connected person of the Company and therefore the transaction constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As the applicable percentage ratio under the GEM Listing Rules for the transaction is less than 0.1%, the transaction is subject to the reporting and exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules. The Directors also consider that the acquisition will enable the Company to further develop its film production business.

On 7 October 2014, Dance Star and CSEHL entered into the sale and purchase agreement, pursuant to which CSEHL has conditionally agreed to acquire and Dance Star has conditionally agreed to sell the total issued and paid up capital of and the shareholder's loan due by China Star Movie Limited for an aggregate consideration of HK$8,673,258 in cash.

Mr. Heung is the chairman and an executive director of China Star and is the former chairman, the former executive Director and former authorised representative of the Company. He is interested in 4,661,203,680 shares of China Star, representing approximately 32.3% of the entire issued share capital of China Star as at the date of 7 October 2014. As Mr. Heung is the substantial shareholder of China Star, CSEHL is a connected person of the Company and therefore the transaction constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the applicable percentage ratio pursuant to Chapter 19 of the GEM Listing Rules in respect of the transaction exceeds 5% but is less than 25% and the consideration is less than HK$10,000,000, the transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 19 and Chapter 20 of the GEM Listing Rules. Mr. Heung, the former chairman of the Company, is a renowned figure in the Hong Kong and Greater China film production and distribution industry and has more than 30 years of experience and in-depth knowledge and well established connection in such industries. With Mr. Heung's resignation as an executive Director of the Company with effect from 7 October 2014 and cessation of his involvement in the film production business of the Company, the Directors of the Company consider that the interests of the Company would be better served by re-allocating and focusing its management and other resources to its other business segments. Taking into account that (i) after the transaction, the Company will no longer be required to have further capital injection to support the future operation of the China Star Movie Limited and therefore the Company can deploy more resources to its other business segments; and (ii) the consideration is based on the net liabilities of the China Star Movie Limited, which amounted to approximately HK$4,828,000 as at 7 October 2014, and the amount of the sale loan, which represents a good opportunity for the Company to realise its investments in the China Star Movie Limited, the Directors of the Company consider that the terms of the sale and purchase agreement are fair and reasonable and are on normal commercial terms and that the transaction is in the interests of the Company and the shareholders of the Company as a whole. The disposal was completed on 9 October 2014. Please refer to the Company's announcement dated 7 October 2014 for more details.

Save as disclosed above, during the year ended 31 December 2014, there were no connected transactions or continuing connected transactions under the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements thereunder.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes and employee award plan, at no time during the year ended 31 December 2014 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

COMPETING INTEREST

At 31 December 2014, none of the Directors, the substantial shareholders nor their respective associates had an interest in any business which competes or may compete with the business of the Group.

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

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved thereby instilling confidence to shareholders and the public.

The Company has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules for the year ended 31 December 2014, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman, chief executive) and A.4.1 (specific terms of non-executive Directors) and A.6.7 (Directors attending general meetings).

(a) Chairman and Chief Executive Officer

Under the CG Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period between 1 January 2014 and 28 March 2014, Mr. Cheng Yang has taken up the roles of the chairman and has been assuming the roles of chief executive officer of the Company. Following the resignation of Mr. Cheng Yang as executive Director on 28 March 2014, Mr. Heung has taken up the roles of the chairman and has been assuming the roles of chief executive officer of the Company. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and consider appointing an individual as the chief executive officer of the Company when it thinks appropriate.

Following the resignation of Mr. Heung as executive Director on 7 October 2014, the Company still looks for appropriate person to fill the vacancy as chairman and chief executive officer.

(b) Terms of non-executive Directors

Under the CG Code provision A.4.1, all non-executive Directors should be appointed for a specific term, subject to re-election. The term of office for non-executive Directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the Directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of this Code provision.

(c) Non-executive Directors attending general meeting

Under the CG Code provision A.6.7, non-executive Directors should attend general meetings. Mr. Law Yiu Sang Jacky, being the independent non-executive Director, was unable to attend the annual general meeting and special general meeting of the Company held on 10 June 2014 due to other business commitment.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2014, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company's Directors confirmed they have complied with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

AUDIT COMMITTEE

The audit committee consists of three members, namely Mr. Yip Tai Him (chairman of the audit committee), Mr. Law Yiu Sang, Jacky and Mr. Fung Wai Ching, all being independent non-executive Directors. The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and interim report and to provide advice and comment thereon to the Board. The audit committee will also be responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. The audit committee has reviewed the consolidated financial statement of the Group for the year ended 31 December 2014 before proposing to the Board for approval.

By Order of the Board
China Star Cultural Media Group Limited
Leung Wai Man
Executive Director

Hong Kong, 26 March 2015

As at the date of this announcement, the executive Directors are Mr. Leung Wai Man, Ms. Li Yee Mei and Ms. Wu Li, the non-executive Director is Mr. Zou Xiao Chun, and the independent nonexecutive Directors are Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky, Mr. Fung Wai Ching, Mr. Ng Wai Hung and Mr. Lam Cheung Shing Richard.

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.