



## **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)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2015**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This announcement, for which the directors (the “Directors”) of China Star Cultural Media Group 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*

## UNAUDITED QUARTERLY RESULTS

The board of Directors (the “Board”) of China Star Cultural Media Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2015, together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the three months ended	
		2015	2014
		(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	1,000	948
Cost of sales		<u>(750)</u>	<u>(690)</u>
Gross profit		250	258
Other revenue and other income	4	66	137
Administrative expenses		(1,711)	(3,671)
Share of results of joint ventures		(1)	(723)
Gain on disposal of subsidiaries		<u>—</u>	<u>56</u>
Loss before tax	5	(1,396)	(3,943)
Income tax expense	6	<u>—</u>	<u>—</u>
Loss for the period		<u><b>(1,396)</b></u>	<u><b>(3,943)</b></u>
Loss for the period attributable to:			
Owners of the Company		<u><b>(1,396)</b></u>	<u><b>(3,943)</b></u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		<u><b>(1,396)</b></u>	<u><b>(3,943)</b></u>
Dividend		<u>—</u>	<u>—</u>
Loss per share			
— Basic and diluted	7	<u><b>HK(0.12) cent</b></u>	<u><b>HK(0.78) cent</b></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 ("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 Room 3903B, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong respectively.

The unaudited condensed consolidated statement of profit or loss and other comprehensive income (the "Unaudited Consolidated Results") 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 Company's principal activity is investment holding and the principal activities of its subsidiaries and joint ventures are provision of artist management services, and film production and distribution.

### 2. Basis of preparation and consolidation

The Unaudited Consolidated Results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. In addition, the Unaudited Consolidated Results include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the Unaudited Consolidated Results is the historical cost convention, as modified for the revaluation of certain financial instruments which are stated at their fair values.

The preparation of Unaudited Consolidated Results in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

All significant intercompany transactions, balances and unrealised gain on transaction within the Group have been eliminated on consolidation.

The accounting policies and basis of preparation adopted in the preparation of the Unaudited Consolidated Results are consistent with those adopted in annual financial statements for the year ended 31 December 2014.

### 3. Turnover

	For the three months ended	
	31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Artist management	<u>1,000</u>	<u>948</u>

### 4. Other revenue and other income

	For the three months ended	
	31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	3	71
Consultancy fee income	<u>63</u>	<u>66</u>
	<u>66</u>	<u>137</u>

### 5. Loss before tax

Loss before tax has been arrived at after charging:

	For the three months ended	
	31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1	131
Minimum lease payments under operating leases on land and buildings	—	1,122
Staff costs including directors' remuneration		
— Salaries and allowances	1,049	2,270
— Pension scheme contribution	<u>22</u>	<u>64</u>

### 6. Income tax expense

No provision of Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong or the estimated assessable profit was wholly absorbed by tax losses bought forward during the period under review. (2014: Nil).

## 7. Loss per share

The calculation of the basic loss per share is based on the loss attributable to owners of the Company for the three months ended 31 March 2015 of approximately HK\$1,396,000 (2014: loss attributable to owners of the Company of approximately HK\$3,943,000) and the weighted average of 1,119,175,000 shares in issue during the three months ended 31 March 2015 (2014: 505,650,000 shares).

For the three months ended 31 March 2015, diluted loss per share was not presented as the conversion of all outstanding preferred shares would have anti-dilutive effects.

## 8. Condensed consolidated statement of changes in equity

	Share capital Ordinary share (Unaudited) HK\$'000	Share capital Preferred share (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Convertible loan notes reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2014	5,056	—	47,383	28,294	4,265	(10,805)	74,193	9	74,202
Net loss for the period	—	—	—	—	—	(3,943)	(3,943)	—	(3,943)
Other comprehensive income for the period	—	—	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	—	(3,943)	(3,943)	—	(3,943)
Release of non controlling interests upon disposal of subsidiaries	—	—	—	—	—	—	—	(9)	(9)
At 31 March 2014	<u>5,056</u>	<u>—</u>	<u>47,383</u>	<u>28,294</u>	<u>4,265</u>	<u>(14,748)</u>	<u>70,250</u>	<u>—</u>	<u>70,250</u>
At 1 January 2015	<u>9,198</u>	<u>—</u>	<u>150,700</u>	<u>28,294</u>	<u>—</u>	<u>(13,406)</u>	<u>174,786</u>	<u>—</u>	<u>174,786</u>
Net loss for the period	—	—	—	—	—	(1,396)	(1,396)	—	(1,396)
Other comprehensive income for the period	—	—	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	—	(1,396)	(1,396)	—	(1,396)
Subscription of shares	13,798	13,798	262,163	—	—	—	289,759	—	289,759
Share issuing expenses	—	—	(13,874)	—	—	—	(13,874)	—	(13,874)
At 31 March 2015	<u>22,996</u>	<u>13,798</u>	<u>398,989</u>	<u>28,294</u>	<u>—</u>	<u>(14,802)</u>	<u>449,275</u>	<u>—</u>	<u>449,275</u>

## **DIVIDEND**

The Board does not recommend the payment of a dividend for the three months ended 31 March 2015 (2014: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

#### *Artist Management*

During the period under review, the revenue contributed by such segment was approximately HK\$1,000,000 (2014: HK\$948,000), representing an increase of approximately 5.5%. The revenue generated from such segment was relatively stable as compared with the three months period ended 31 March 2014.

The gross profit margin decreased to approximately 25.0% (2014: 27.2%). 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 (now known as Hong Kong Xuanhe 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.

### **Financial Review**

The revenue of the Group was approximately HK\$1,000,000 for the three months ended 31 March 2015 (2014: HK\$948,000), and it was generated from the provision of artist management and film distribution, representing a increase of 5.5% as compared with the three months period ended 31 March 2014.

Administrative expenses were mainly the staff costs, and other general administrative expenses of the Group incurred during the period under review. Administrative expenses decreased by 53.4% to approximately HK\$1,711,000 from approximately HK\$3,671,000 in prior period. It was mainly attributed from decrease in expenses on operating leases from HK\$1,122,000 in prior period to nil and decrease in salaries and allowances to approximately HK\$1,049,000 (2014: HK\$2,270,000).

During the period under review, loss for the period attributable to owners of the Company was approximately HK\$1,396,000 (2014: HK\$3,943,000), which was mainly attributed from the administrative expenses amounted to approximately HK\$1,711,000 (2014: HK\$3,671,000).

## **Event after the Reporting Period**

There is no significant event occurred subsequently after the balance sheet date.

## **COMPLETION OF SUBSCRIPTION OF SHARES AND PREFERRED SHARES**

Reference is made to the circular of the Company dated 18 February 2015 in relation to the subscription of ordinary shares and preferred shares. Capitalised terms used herein shall have the same meanings as defined in the circular unless the context requires otherwise. On 16 March 2015, a special general meeting was held and independent shareholders' approval in relation to the subscription has been sought, and the completion of the subscription has taken place on 19 March 2015. Pursuant to the subscription agreement, 1,379,804,865 new ordinary shares of the Company have been duly allotted and issued as fully paid to the subscribers, and 1,379,804,862 new preferred shares have been duly allotted and issued as partly paid to the subscribers. As at the date of this report, all of the preferred shares have not been converted. Assuming such preferred shares are fully paid up and converted, a total of 1,379,804,862 new ordinary shares of the Company will be issued accordingly (subject to applicable adjustments).

## **PROPOSED CHANGE OF COMPANY NAME**

On 27 April 2015, the Company proposed to change the English name of the Company from "China Star Cultural Media Group Limited" to "Lajin Entertainment Network Group Limited" and to adopt the Chinese name of the Company "拉近網娛集團有限公司" to replace "中國星文化產業集團有限公司" for identification purpose only. Please refer to the Company's announcement dated 27 April 2015 for more details. The name change is subject to the approval by the Shareholders at the forthcoming annual general meeting by way of a special resolution and the approval by the Registrar of Companies in Bermuda.

## **FUTURE PLANS**

Upon completion of the subscription on 19 March 2015 as mentioned above, the Company intends to leverage on the experience and business network of Jiaxuan (the new controlling Shareholder following the completion of the Subscription mentioned above) to develop more kinds of entertainment businesses including films, dramas, concerts and shows, and to establish an on-line media platform for different media contents & etc. The Group will also explore opportunities to invest in Korea-related media contents and to have cooperation with the music, movie and TV program producers, production companies and artists in Korea and to bring some high quality programs and music contents to China.

## USE OF PROCEEDS

During the period under review, 1,379,804,865 new ordinary shares have been duly allotted and issued as fully paid to the subscribers, raising net proceeds of approximately HK\$262.1 million, and 1,379,804,862 new preferred shares have been duly allotted and issued as partly paid to the subscribers, raising net proceeds of approximately HK\$13.8 million. The subscription is completed on 19 March 2015 and the Company has not used any of the net proceeds from the subscription before 31 March 2015.

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

During the three months ended 31 March 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## AUDIT COMMITTEE

The audit committee consists of three members, namely Mr. Lam Cheung Shing, Richard (chairman of the audit committee), Mr. Ng Wai Hung and Mr. Zhou Ya Fei, 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 first quarterly report and results for the three months ended 31 March 2015 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, 14 May 2015

*As at the date of this announcement, the executive Directors are Mr. Leung Wai Man and 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. Fung Wai Ching, Mr. Ng Wai Hung and Mr. Lam Cheung Shing Richard.*

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