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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)

CLARIFICATION ANNOUNCEMENT

Reference is made to the circular (the “Circular”) of China Star Cultural Media Group Limited (the “Company”) dated 18 February 2015 in relation to, among other things, the Subscription and the Whitewash Waiver. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

In addition to the documents set out in the paragraph headed “9. DOCUMENTS AVAILABLE FOR INSPECTION” in Appendix II to the Circular, the Board wishes to clarify that the third quarterly report 2014 of the Group for the nine months ended 30 September 2014 (the “2014 Third Quarterly Report”) will also be made available for inspection during the same hours and at the same place as mentioned in the aforesaid paragraph and on the website of the SFC at <http://www.sfc.hk> and on the website of the Company at <http://www.chinastarcmg.com.hk> up to and including the date of the SGM.

Set forth below are the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Group and the corresponding notes as set out in the 2014 Third Quarterly Report. Capitalised terms used below shall have the same meanings as defined in the 2014 Third Quarterly Report.

* *For identification only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	3	1,484	3,128	4,350	12,592
Cost of sales		<u>(1,070)</u>	<u>(1,955)</u>	<u>(3,173)</u>	<u>(9,031)</u>
Gross profit		414	1,173	1,177	3,561
Other revenue and other income	4	177	140	491	332
Gain on derecognition of convertible loan notes		—	1,935	—	1,935
Administrative expenses		(1,892)	(3,952)	(9,052)	(12,270)
Impairment loss recognised in respect of goodwill		—	—	(9)	—
Finance costs	5	—	(185)	—	(563)
Share of results of joint ventures		17	49	(630)	80
Gain on disposal of subsidiaries		—	—	5,261	—
Loss before tax	6	<u>(1,284)</u>	<u>(840)</u>	<u>(2,762)</u>	<u>(6,925)</u>
Income tax expense	7	—	—	—	—
Loss for the period		<u><u>(1,284)</u></u>	<u><u>(840)</u></u>	<u><u>(2,762)</u></u>	<u><u>(6,925)</u></u>
Loss for the period attributable to:					
Owners of the Company		(1,284)	(840)	(2,762)	(6,925)
Non-controlling interests		—	—	—	—
		<u><u>(1,284)</u></u>	<u><u>(840)</u></u>	<u><u>(2,762)</u></u>	<u><u>(6,925)</u></u>
Total comprehensive loss for the period attributable to:					
Owners of the Company		(1,284)	(840)	(2,762)	(6,925)
Non-controlling interests		—	—	—	—
		<u><u>(1,284)</u></u>	<u><u>(840)</u></u>	<u><u>(2,762)</u></u>	<u><u>(6,925)</u></u>
Dividend		<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
Loss per share	8				
— Basic and diluted		<u><u>HK(0.14) cent</u></u>	<u><u>HK(0.17) cent</u></u>	<u><u>HK(0.40) cent</u></u>	<u><u>HK(1.37) cents</u></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 GEM of 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 3407, 34/F Shun Tak Centre, West Tower, 168 – 200 Connaught Road Central, 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 2013.

3. Turnover

	For the three months ended 30 September		For the nine months ended 30 September	
	2014	2013	2014	2013
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Artist management	<u>1,484</u>	<u>3,128</u>	<u>4,350</u>	<u>12,592</u>

4. Other revenue and other income

	For the three months ended 30 September		For the nine months ended 30 September	
	2014	2013	2014	2013
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Bank interest income	114	80	302	140
Consultancy fee income	<u>63</u>	<u>60</u>	<u>189</u>	<u>192</u>
	<u>177</u>	<u>140</u>	<u>491</u>	<u>332</u>

5. Finance costs

	For the three months ended 30 September		For the nine months ended 30 September	
	2014	2013	2014	2013
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Effective interest expenses on convertible loan notes	<u>—</u>	<u>185</u>	<u>—</u>	<u>563</u>

6. Loss before tax

Loss from operations has been arrived at after charging/(crediting):

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	2	131	134	392
Written off of property, plant and equipment	—	—	1,579	—
Minimum lease payments under operating leases on land and buildings	—	1,122	1,122	3,427
Staff costs including directors' remuneration				
— Salaries and allowances	162	1,773	3,213	5,767
— Pension scheme contribution	(15)	33	68	116
	<u>2</u>	<u>1,906</u>	<u>4,941</u>	<u>10,602</u>

7. 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. (2013: Nil).

8. 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 30 September 2014 of approximately HK\$1,284,000 (2013: loss attributable to owners of the Company of approximately HK\$840,000) and loss attributable to owners of the Company for the nine months ended 30 September 2014 of approximately HK\$2,762,000 (2013: loss attributable to owners of the Company of approximately HK\$6,925,000) and weighted average of 905,649,726 shares in issue during the three months ended 30 September 2014 (2013: 505,649,726 shares) and weighed average of 684,038,004 shares in issue during the nine months ended 30 September 2014 (2013: 505,649,726 shares).

For the three months and nine months ended 30 September 2014 and 2013, diluted loss per share was not presented as the conversion of all outstanding convertible loan notes would have anti-dilutive effects.

9. Condensed consolidated statement of changes in equity

	Share capital (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 2013	5,056	47,383	28,294	2,381	(358)	82,756	—	82,756
Net loss for the period	—	—	—	—	(6,925)	(6,925)	—	(6,925)
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	(6,925)	(6,925)	—	(6,925)
Recognition of the equity component of convertible loan notes	—	—	—	4,265	—	4,265	—	4,265
Transfer to accumulated losses upon extinguishment of old convertible loan notes	—	—	—	(2,381)	2,381	—	—	—
At 30 September 2013	<u>5,056</u>	<u>47,383</u>	<u>28,294</u>	<u>4,265</u>	<u>(4,902)</u>	<u>80,096</u>	<u>—</u>	<u>80,096</u>
At 1 January 2014	5,056	47,383	28,294	4,265	(10,805)	74,193	9	74,202
Net loss for the period	—	—	—	—	(2,762)	(2,762)	—	(2,762)
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	(2,762)	(2,762)	—	(2,762)
Release of non- controlling interests upon disposal of subsidiaries	—	—	—	—	—	—	(9)	(9)
Placing of new shares	4,000	103,000	—	—	—	107,000	—	107,000
Share issue expenses	—	(3,806)	—	—	—	(3,806)	—	(3,806)
At 30 September 2014	<u>9,056</u>	<u>146,577</u>	<u>28,294</u>	<u>4,265</u>	<u>(13,567)</u>	<u>174,625</u>	<u>—</u>	<u>174,625</u>

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

Hong Kong, 27 February 2015

As at the date of this announcement, the executive directors of the Company are Mr. Leung Wai Man and Ms. Li Yee Mei; and the independent non-executive directors are Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Mr. Fung Wai Ching.

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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.