



China Star Cultural Media Group Limited

(formerly known as China Media and Films Holdings Limited)

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

(Stock Code: 8172)

INTERIM REPORT 2014



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

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This report, 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 report 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 report misleading.

UNAUDITED INTERIM 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 unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2014, together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended		For the six months ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	5	1,918	2,160	2,866	9,464
Cost of sales		(1,413)	(1,583)	(2,103)	(7,076)
Gross profit		505	577	763	2,388
Other revenue and other income	6	177	113	314	192
Administrative expenses		(3,489)	(3,989)	(7,160)	(8,318)
Impairment loss recognised in respect of goodwill		(9)	—	(9)	—
Finance costs	7	—	(192)	—	(378)
Share of results of joint ventures		76	12	(647)	31
Gain on disposal of subsidiaries	16	5,205	—	5,261	—
Profit/(loss) before tax	8	2,465	(3,479)	(1,478)	(6,085)
Income tax expense	9	—	—	—	—
Profit/(loss) for the period		2,465	(3,479)	(1,478)	(6,085)

	Notes	For the three months ended		For the six months ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Profit/(loss) for the period attributable to:					
Owners of the Company		2,465	(3,479)	(1,478)	(6,085)
Non-controlling interests		—	—	—	—
		2,465	(3,479)	(1,478)	(6,085)
Total comprehensive income/ (loss) for the period attributable to:					
Owners of the Company		2,465	(3,479)	(1,478)	(6,085)
Non-controlling interests		—	—	—	—
		2,465	(3,479)	(1,478)	(6,085)
Dividend		—	—	—	—
Earnings/(loss) per share	10				
— Basic and diluted		HK0.39 cent	HK(0.69) cent	HK(0.26) cent	HK(1.20) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2014	At 31 December 2013
	Notes	(Unaudited) HK\$'000	(Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	10	1,721
Film rights and films in progress		6,475	912
Goodwill	12	—	—
Interests in joint ventures		27,670	28,317
Total non-current assets		34,155	30,950
Current assets			
Trade receivables	13	70	50
Deposits, prepayments and other receivables		7,976	3,116
Amount due from joint ventures		6	6
Cash and cash equivalents		138,138	48,780
Total current assets		146,190	51,952

		At 30 June 2014	At 31 December 2013
	Notes	(Unaudited) HK\$'000	(Audited) HK\$'000
LIABILITIES			
Current liabilities			
Accruals and other payables		687	5,292
Receipts in advance		3,749	3,408
Convertible loan notes	14	—	—
Total current liabilities		4,436	8,700
Net current assets		141,754	43,252
Total assets less current liabilities		175,909	74,202
Net assets		175,909	74,202
EQUITY			
Share capital	15	9,056	5,056
Reserves		166,853	69,137
Equity attributable to owners of the Company		175,909	74,193
Non-controlling interests		—	9
Total equity		175,909	74,202

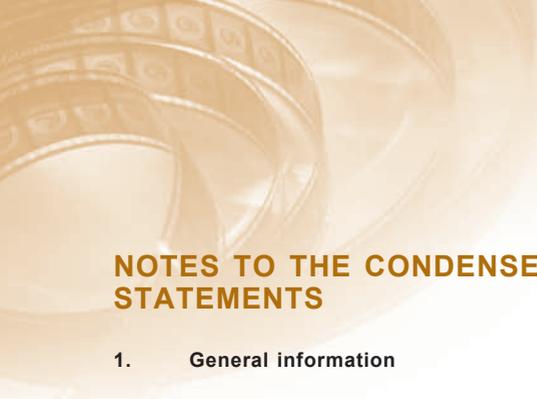
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	—	—	—	—	(6,085)	(6,085)	—	(6,085)
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	(6,085)	(6,085)	—	(6,085)
At 30 June 2013	5,056	47,383	28,294	2,381	(6,443)	76,671	—	76,671
At 1 January 2014	5,056	47,383	28,294	4,265	(10,805)	74,193	9	74,202
Net loss for the period	—	—	—	—	(1,478)	(1,478)	—	(1,478)
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	(1,478)	(1,478)	—	(1,478)
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 June 2014	9,056	146,577	28,294	4,265	(12,283)	175,909	—	175,909

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended
30 June

	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash used in operating activities	(9,527)	(2,933)
Net cash used in investing activities	(4,309)	—
Net cash generated from financing activities	103,194	—
Net increase/(decrease) in cash and cash equivalents	89,358	(2,933)
Cash and cash equivalents at the beginning of period	48,780	53,533
Cash and cash equivalents at the end of period	138,138	50,600
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	138,138	50,600



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 interim financial statements (the "Interim 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 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. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2013, except as described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's accounting period beginning on 1 January 2014.

2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

HKAS 32 (Amendments)	Presentation — 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
HKFRS 10, HKFRS 12 and HKAS 27 (Revised in 2011)	Investment Entities
HK(IFRIC) — Int 21	Levies

The application of the new and revised HKFRSs has had no material effect on the Interim Financial Statements.

3. Basis of preparation

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The Interim Financial Statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2013.

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The preparation of Interim Financial Statements 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 in transaction within the Group have been eliminated on consolidation.

4. Segment information

Segment information is presented by way of two formats: (a) the primary segment reporting format by business segment and (b) the secondary reporting format by geographical segment.

a. Business segment

For management purposes, the Group is currently organised into two operating divisions, namely, artist management, and film production and distribution. These divisions are the basis on which the Group reports its primary segment information.

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

	Artist management For the six months ended 30 June		Film production and distribution For the six months ended 30 June		Consolidated For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Segment revenue						
Revenue from external customers	2,866	9,464	—	—	2,866	9,464
Segment results						
Segment (loss)/profit	(815)	476	(11)	(775)	(826)	(299)
Unallocated other revenue and other income					—	—
Unallocated corporate expenses					(5,257)	(5,439)
Loss from operating activities					(6,083)	(5,738)
Finance costs					—	(378)
Share of results of joint ventures					(647)	31
Impairment loss recognised in respect of goodwill					(9)	—
Gain on disposal of subsidiaries					5,261	—
Loss before tax					(1,478)	(6,085)
Income tax expense					—	—
Loss for the period					(1,478)	(6,085)

4. Segment information (continued)

a. Business segment (continued)

	Artist management		Film production and distribution		Consolidated	
	At 30 June 2014	At 31 December 2013	At 30 June 2014	At 31 December 2013	At 30 June 2014	At 31 December 2013
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	43,702	48,618	21,740	2,402	65,442	51,020
Unallocated corporate assets					114,903	31,882
Consolidated total assets					180,345	82,902

b. Geographical segment

	Hong Kong For the six months ended 30 June		The PRC For the six months ended 30 June		Others For the six months ended 30 June		Consolidated For the six months ended 30 June	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue from external customers	989	3,739	1,877	5,450	—	275	2,866	9,464
Capital expenditure	—	—	—	—	—	—	—	—

	At 30 June 2014	At 31 December 2013	At 30 June 2014	At 31 December 2013	At 30 June 2014	At 31 December 2013	At 30 June 2014	At 31 December 2013
	(Unaudited) HK\$'000	(Audited) HK\$'000						
	*Non-current assets	6,485	2,633	—	—	—	—	6,485

* Non-current assets excluded those relating to goodwill, interest in joint ventures and financial instruments.

5. Turnover

	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Artist management	1,918	2,160	2,866	9,464

6. Other revenue and other income

	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Bank interest income	117	47	188	60
Consultancy fee income	60	66	126	132
	177	113	314	192

7. Finance costs

	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Effective interest expenses on convertible loan notes	—	192	—	378

8. Profit/(loss) before tax

Profit/(loss) from operations has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	1	130	132	261
Written off of property, plant and equipment	1,579	—	1,579	—
Minimum lease payments under operating leases on land and buildings	—	1,157	1,122	2,305
Staff costs including directors' remuneration				
— Salaries and allowance	781	1,804	3,051	3,994
— Pension scheme contribution	19	35	83	83

9. 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).

10. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit attributable to owners of the Company for the three months ended 30 June 2014 of approximately HK\$2,465,000 (2013: loss attributable to owners of the Company of HK\$3,479,000) and loss attributable to owners of the Company for the six months ended 30 June 2014 of approximately HK\$1,478,000 (2013: loss attributable to owners of the Company of HK\$6,085,000) and weighted average of 636,418,957 shares in issue during the three months ended 30 June 2014 (2013: 505,649,726 shares) and the weighted average of 571,395,582 shares in issue during the six months ended 30 June 2014 (2013: 505,649,726 shares).

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

11. Property, plant and equipment

HK\$'000

Cost

At 1 January 2013	3,044
Disposal	(415)

At 31 December 2013 and 1 January 2014	2,629
Written off	(2,589)

At 30 June 2014	40
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Accumulated depreciation

At 1 January 2013	800
Charged for the year	523
Disposal	(415)

At 31 December 2013 and 1 January 2014	908
Charged for the period	132
Written off	(1,010)

At 30 June 2014	30
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Net book value

At 30 June 2014 (unaudited)	10
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At 31 December 2013 (audited)	1,721
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12. Goodwill

HK\$'000

Cost

At 1 January 2013, 31 December 2013 and 1 January 2014	—
Acquisition of subsidiaries	9

At 30 June 2014	9
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Accumulated impairment

At 1 January 2013, 31 December 2013 and 1 January 2014	—
Impairment loss recognised	9

At 30 June 2014	9
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Net book value

At 30 June 2014 (Unaudited)	—
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At 31 December 2013 (Audited)	—
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13. Trade receivables

An aged analysis of the trade receivables is as follows:

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
0 — 90 days	70	50
91 — 180 days	—	—
	70	50

14. Convertible loan notes

	At 30 June 2014	At 31 December 2013
	(Unaudited) HK\$'000	(Audited) HK\$'000
Liability component at 1 January	—	5,637
Effective interest expenses	—	563
Extinguishment of liability/equity component of convertible notes	—	(6,200)
Liability component	—	—

15. Share capital

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each (2013: HK\$0.01 each)		
Authorised:		
At 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014	3,000,000	30,000
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 1 January 2014	505,649	5,056
Placing of new shares	400,000	4,000
At 30 June 2014 (unaudited)	905,649	9,056

16. Disposal of subsidiaries

During the period under review, the Group disposed of the entire issued share capital of nine subsidiaries to an independent third party at a cash consideration of HK\$24.40.

Details of the assets and liabilities at the date of disposal are set out as follows:

	(Unaudited) HK\$'000
Trade receivables	1
Deposits, prepayments and other receivables	9
Amount due from a shareholder	10
Cash and cash equivalents	6
Accruals and other payables	(73)
Amount due to the ultimate holding company	(5,205)
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Net liabilities disposed of	(5,252)
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Gain on disposal of subsidiaries:	
Cash consideration received	—
Net liabilities disposed of	5,252
Non-controlling interests	9
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	5,261
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Net cash outflow arising on disposal:	
Cash consideration received	—
Cash and cash equivalents disposed of	(6)
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	(6)
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17. Acquisition of subsidiaries

- (a) On 14 April 2014, the Group entered into a conditional sale and purchase agreement with China Star Entertainment Holding Limited for acquiring the entire issued shares in and the shareholder's loan due by China Star Movie Limited at a cash consideration of HK\$4,340,000. The acquisition was completed on 17 April 2014.

Assets acquired and liabilities recognised at the date of acquisition:

	(Unaudited) HK\$'000
Trade receivables	21
Deposits, prepayments and other receivables	6,171
Cash and cash equivalents	36
Accruals and other payables	(1,888)
Amount due to an immediate holding company	(9,002)
	(4,662)
Shareholder's loan	9,002
	4,340
Net cash outflow arising on acquisition:	
Cash consideration paid	4,340
Less: Cash and cash equivalents acquired	(36)
	4,304

17. Acquisition of subsidiaries (continued)

- (b) 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. The acquisition was completed on 23 May 2014.

Assets acquired and liabilities recognised at the date of acquisition:

	(Unaudited) HK\$'000
Other payables	(9)
Goodwill	9
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Total consideration, satisfied by cash	—
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Net cash outflow arising on acquisition:	
Cash consideration paid	—
Less: Cash and cash equivalents acquired	—
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	—
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18. Fair value measurement

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Interim Financial Statements approximate their fair values.

19. Operating lease commitment

The Group leases office premises under operating lease arrangement. Leases for office premium are negotiated for the terms ranging from 1 to 2 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Within one year	—	1,137
In the second to fifth years, inclusive	—	43
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	—	1,180
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20. Material related party transactions

In addition to the transactions and balances detailed elsewhere in Interim Financial Statements, the Group had the following material transactions with related parties during the period:

During the period under review, the Group entered into the following transactions with its related companies:

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Rental expenses paid to a related company (<i>Note a</i>)	1,110	1,376
Acquisition of a subsidiary from a related company (<i>Note b</i>)	4,340	—

Note:

- (a) Rental expense paid to the related company, in which is subsidiary of an entity and the Group is an associate of that entity. The transaction is a continuing connected transaction as defined under Chapter 20 of the GEM Listing Rules, details of which please refer to the announcement dated 30 April 2012.
- (b) Acquisition of a subsidiary from a related company, which has common chairman and executive director. The transaction is a connected transaction as defined under Chapter 20 of the GEM Listing Rules, details of which please refer to the announcement dated 14 April 2014.



INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

CHANGE IN DIRECTORS

On 28 March 2014, Mr. Cheng Yang has resigned as executive Director, chief executive officer, chairman, compliance officer and authorised representative of the Company and Ms. Jiang Di has resigned as executive Director and vice president of the Company. On the same day, Mr. Heung Wah Keung has been appointed as executive Director, chairman and authorised representative of the Company.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 17.50A of the GEM Listing Rules, changes in the Directors' information since the disclosure made in the Company's annual report 2013 are set out as follows:

- (i) Mr. Yip Tai Him, an independent non-executive director of the Company,
 - resigned as an independent non-executive director of Wing Lee Holdings Limited (stock code: 876) with effect from 20 June 2014;
 - resigned as an independent non-executive director of iOne Holdings Limited (stock code: 982) with effect from 21 July 2014;
 - was appointed as a non-executive director of Larry Jewelry International Company Limited (a company listed on the GEM of the Stock Exchange (stock code: 8351)) on 1 April 2014; and
 - has been re-designated from a non-executive director to an independent non-executive director of Larry Jewelry International Company Limited (stock code: 8351) with effect from 16 May 2014.

- (ii) Mr. Fung Wai Ching, an independent non-executive director of the Company, was appointed as an independent non-executive director of Well Way Group Limited (a company listed on the GEM of the Stock Exchange (stock code: 8063)) on 23 June 2014.



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 period under review, the revenue contributed by such segment was approximately HK\$2,866,000 (2013: HK\$9,464,000), representing a decrease of approximately 69.7% due to the tough business competition as compared with the period ended 30 June 2013.

The gross profit margin increased to approximately 26.6% (2013: 25.2%). 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, 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 report, 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 period under review, China Star Film Group did not have any additional film rights and the share of its losses approximately HK\$647,000 was recorded (2013: profit of HK\$31,000).

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.

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% 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% 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%. Eternity is still a substantial shareholder of the Company.

During the period 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.



Going through the above restructuring and reorganisation of the Group can enable the Company to further develop its film production business. On 8 May 2014, a framework agreement (the “Framework Agreement”) has been entered into between China Star Movie Limited, a wholly-owned subsidiary of the Company, and an independent third party (“Film Distributor”). Pursuant to the Framework Agreement, the Film Distributor will be responsible for the investment of a series of three films to be produced by China Star Movie Limited and their film distributions in Mainland China. It is preliminary agreed that the first film of the series will be released and distributed in Mainland China in the Chinese New Year in 2016.

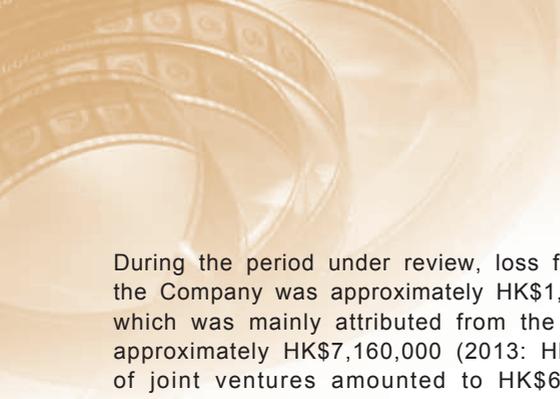
Financial Review

The revenue of the Group was approximately HK\$2,866,000 for the six months ended 30 June 2014 (2013: HK\$9,464,000), and it was generated from the provision of artist management and film distribution, representing a decrease of 69.7% as compared with the six months ended 30 June 2013. Administrative expenses were mainly the staff costs, operating leases and other general administrative expenses of the Group incurred during the period under review.

Administrative expenses decreased by 13.9% to approximately HK\$7,160,000 from approximately HK\$8,318,000 in prior period. It was mainly attributed from the expenses on operating leases amounted to approximately HK\$1,122,000 (2013: HK\$2,305,000) and salaries and allowances amounted to approximately HK\$3,051,000 (2013: HK\$3,994,000).

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 has expired on 31 March 2014.



During the period under review, loss for the period attributable to owners of the Company was approximately HK\$1,478,000 (2013: loss of HK\$6,085,000), which was mainly attributed from the administrative expenses amounted to approximately HK\$7,160,000 (2013: HK\$8,318,000) and the share of losses of joint ventures amounted to HK\$647,000 (2013: profit of HK\$31,000). However, one-off gain on disposal of subsidiaries amounted to approximately HK\$5,261,000 should have mitigated the loss for the period attributable to owners of the Company.

Future Plans

For film production and distribution, the Company has completed the acquisition of China Star Movie Limited on 17 April 2014 and Directors consider that the acquisition will enable the Company to further develop our film production business. On 8 May 2014, a framework agreement has been entered into between China Star Movie Limited and an independent third party (“Film Distributor”). Pursuant to the framework agreement, the Film Distributor will be responsible for the investment of a series of three films to be produced by China Star Movie Limited and their film distributions in Mainland China. It is preliminary agreed that the first film of the series will be released and distributed in Mainland China in the Chinese New Year in 2016. China Star Movie Limited just finalizes the preproduction phase of the first film of the series on schedule.

We will remain cautious of the Group’s business outlook. However, regardless of the aforementioned, strengthening and developing the business of the Group are of almost importance so as to prepare ourselves for the upcoming challenges and opportunities. Meanwhile, we will continue to identify other appropriate investment opportunities to penetrate into other business sectors.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2014, the Group had total assets of approximately HK\$180,345,000 (31 December 2013: HK\$82,902,000), including cash and cash equivalents of approximately HK\$138,138,000 (31 December 2013: HK\$48,780,000). During the period under review, the Group financed its operation with internally generated cash flows and issues of new shares.



CAPITAL STRUCTURE

During the period 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. As at 30 June 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.

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 30 June 2014, the net proceeds are placed as interest bearing deposits with licensed bank in Hong Kong.

Pursuant to the instrument constituting the convertible loan note (the "Convertible Loan Note") issued by the Company on 25 September 2008, the conversion price of the Convertible Loan Note 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 Note and agreed that the adjustment is in accordance with the instrument constituting the Convertible Loan Note.



GEARING RATIO

The gearing ratio, expressed as percentage of total liabilities over total assets, was approximately 2.5% (31 December 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\$687,000 as compared with that in prior year. At the same time, the increase of film rights and films in progress from HK\$912,000 to HK\$6,475,000, deposits, prepayments and other receivables from HK\$3,116,000 to HK\$7,976,000 and cash and cash equivalents from HK\$48,780,000 to HK\$138,138,000 also provide the positive improvement on the company's gearing ratio.

CHARGE ON THE GROUP'S ASSETS

At 30 June 2014, the Group did not have any charge on its assets.

FOREIGN EXCHANGE RISKS

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

COMMITMENTS

At 30 June 2014, the Group had no material commitments (2013: Nil).

CONTINGENT LIABILITIES

At 30 June 2014, the Group had no material contingent liabilities (2013: Nil).

EMPLOYEES

At 30 June 2014, the Group had 8 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme.



SIGNIFICANT INVESTMENT

The Group did not hold any significant investment during the period ended 30 June 2014.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 14 April 2014, the Group and China Star Entertainment Holding Limited (“CSEHL”) entered into the sales and purchase agreement, pursuant to which the Company has conditionally agreed to acquire and the 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 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. The acquisition was completed on 23 May 2014.

During the period 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 period ended 30 June 2014.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any concrete plan for material investments and capital assets for the coming quarters.



CONNECTED TRANSACTIONS

Continuing Connected Transaction

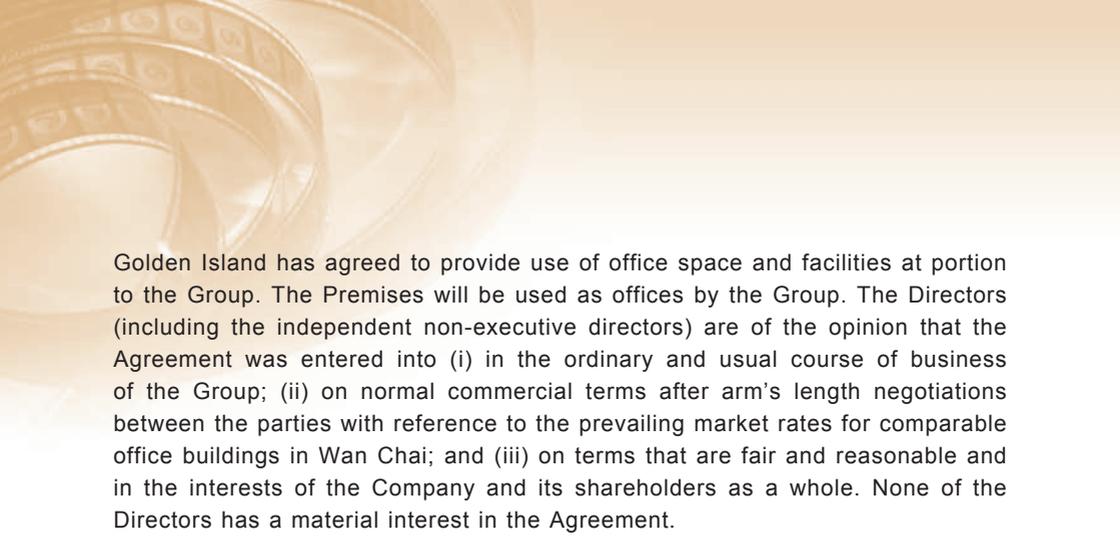
Golden Island, a wholly-owned subsidiary of Culture Landmark, as tenant entered into the tenancy agreement dated 30 March 2011 with China Resources Property Management Limited in respect of the lease of the premises ("Premises") which located at rooms 2506-09, 25th Floor, China Resources Building, No. 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.

Connected Transaction

On 14 April 2014, the Group and CSEHL, a wholly-owned subsidiary of China Star Entertainment Limited ("China Star"), entered into the sale and purchase agreement, pursuant to which the Group has conditionally agreed to acquire and the 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 Wah Leung 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. 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.

Save as disclosed above, during the period ended 30 June 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. The related party transactions set out in note 20 to the Interim Financial Statements of the Company constituted connected transactions are subject to the reporting and announcement requirements but exempt from independent shareholder's approval requirement under Chapter 20 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 June 2014, none of the Director, or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.



SHARE OPTION SCHEME

On 10 June 2014, the Company adopted a new share option scheme (“New Share Option Scheme”) and terminated the share option scheme adopted by the Company on 6 March 2002. The purpose of the New Share Option Scheme is to enable the Company to grant options to the eligible participants (“Participants”) in order to recognise and motivate the contribution of the Participants to the Group. The scope of the Participants was determined to provide flexibility for the Company to encourage and reward a broad range of the Participants to contribute to the development of the Group. The Board is of the view that the Participants (including employees, directors, supplier, consultants, distributors, agents, customers, partners, joint venture partners, promoter, service providers and advisers to the Group) are persons who may contribute to the growth and development of the Group through their services or investments. The Directors are of the view that the New Share Option Scheme will serve to motivate the Participants to continue to optimise their performance and efficiency for better serving the Group in the future, as well as to attract and retain or otherwise maintain ongoing business or investment relationship with the Participants depending on many factors such as their interest in the shares, their business/working relationship with the Group, and their contribution that has or may have been made to the Group etc.

The details of the New Share Option Scheme were set out in the circular of the Company dated 8 May 2014. During the period under review, no share options had been granted, exercised, cancelled or lapsed under the New Share Option Scheme.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes and employee award plan, at no time during the six months ended 30 June 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.

SUBSTANTIAL SHAREHOLDERS

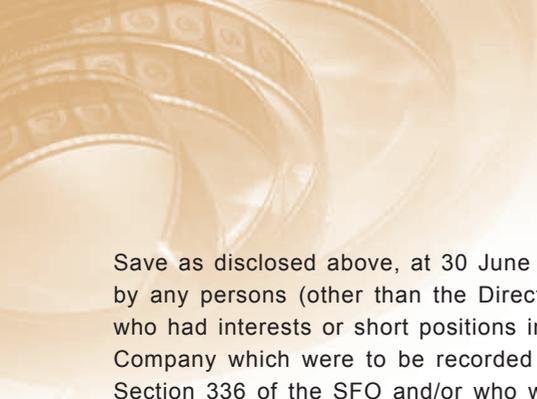
At 30 June 2014, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long positions in ordinary shares of HK\$0.01 each of the Company

Name of substantial shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approximate percentage of the Company's issued share capital
Culture Landmark	Interest of controlled corporation (Note 1)	232,366,016	12,731,006	245,097,022	27.06%
New Asia Media Development Limited ("New Asia Media")	Beneficial owner (Note 1)	232,366,016	12,731,006	245,097,022	27.06%
Eternity	Interest of controlled corporation (Note 2)	146,640,000	—	146,640,000	16.19%
Riche (BVI) Limited	Interest of controlled corporation (Note 2)	146,640,000	—	146,640,000	16.19%
Riche Advertising Limited	Beneficial owner (Note 3)	146,640,000	—	146,640,000	16.19%

Notes:

- (1) New Asia Media, a company which is wholly and beneficially owned by Culture Landmark, a company listed on the Main Board of the Stock Exchange, is the beneficial owner of 232,366,016 shares of the Company and zero-coupon convertible loan notes due 24 September 2015 in the principal amount of HK\$6,200,000 issued by the Company carrying the right to convert into a total of 12,731,006 shares of the Company at the prevailing conversion price of HK\$0.487 per share (subject to adjustment).
- (2) Riche (BVI) Limited is wholly and beneficially owned by Eternity.
- (3) Riche Advertising Limited is the beneficial owner of 146,640,000 shares of the Company and is wholly and beneficially owned by Riche (BVI) Limited.



Save as disclosed above, at 30 June 2014, the Company has not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

COMPETING INTEREST

At 30 June 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.

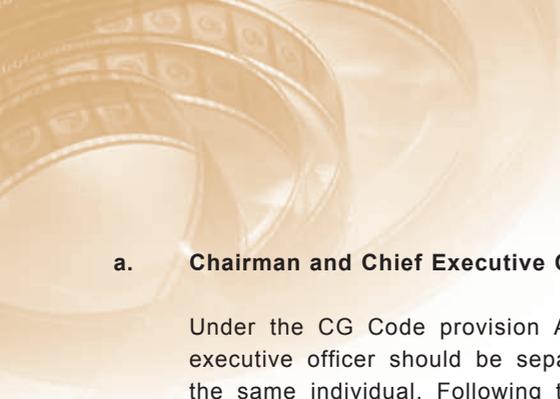
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 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 six months ended 30 June 2014, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executives) and A.4.1 (specific terms of non-executive Directors).



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. Following the resignation of Mr. Cheng Yang as executive Director on 28 March 2014, Mr. Heung Wah Keung has taken up the roles of the chairman of the Company. The Company still looks for appropriate person to fill the vacancy as Chief Executive Officer. Mr. Heung Wah Keung 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.

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 Code provision A.6.7 of CG Code, 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 six months ended 30 June 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 interim report and results for the six months ended 30 June 2014 before proposing to the Board for approval.

By order of the Board
China Star Cultural Media Group Limited
Heung Wah Keung
Chairman

Hong Kong, 14 August 2014

As at the date of this report, the Board comprises Mr. Heung Wah Keung and Mr. Leung Wai Man as executive Directors; and Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Mr. Fung Wai Ching as independent non-executive Directors.