



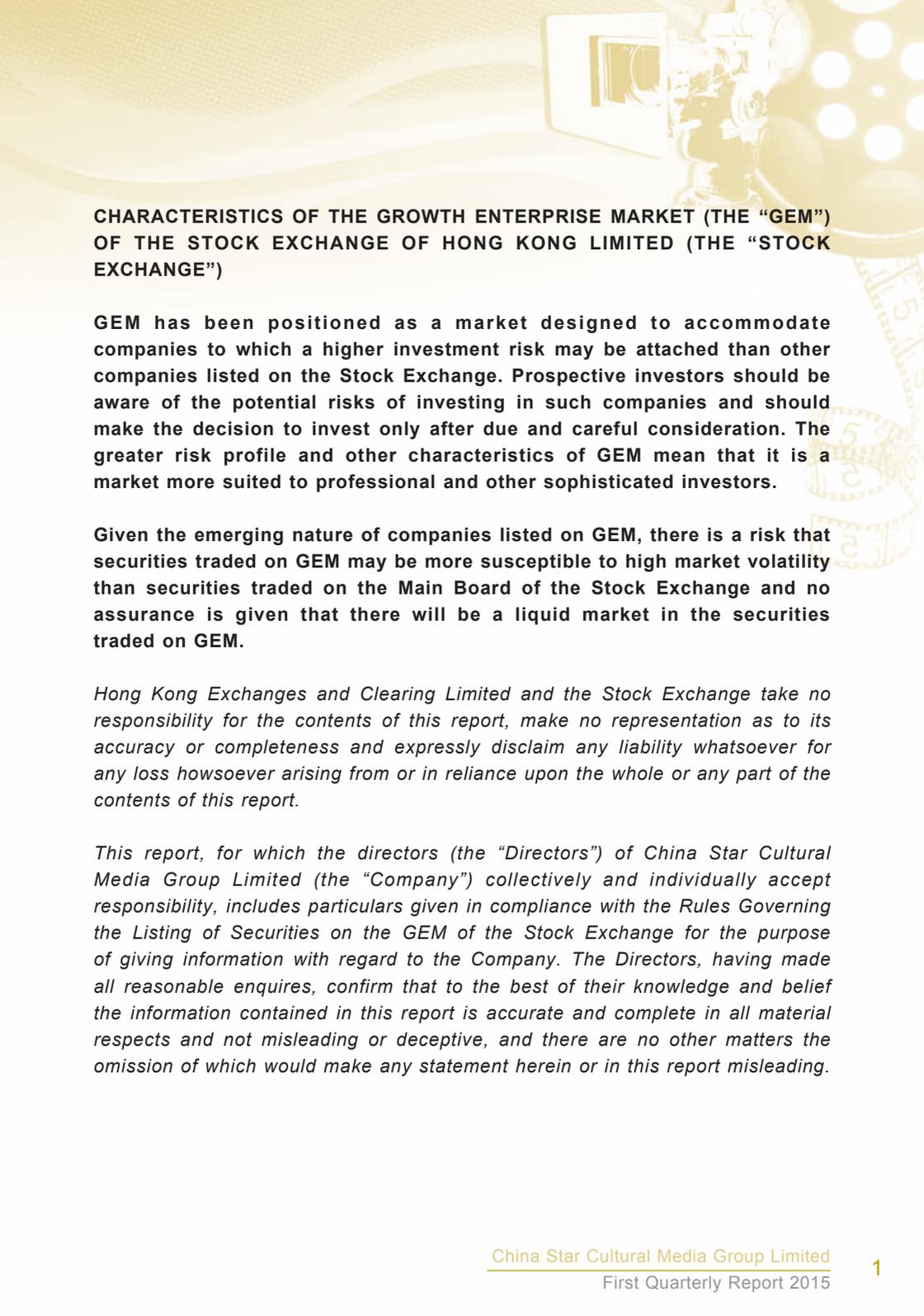
# China Star Cultural Media Group Limited

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

(Stock Code: 8172)



FIRST QUARTERLY REPORT **2015**  
FIRST QUARTERLY REPORT 2015



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

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**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.**

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*This report, 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 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 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

	Notes	For the three months ended 31 March	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	3	1,000	948
Cost of sales		(750)	(690)
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		—	56
Loss before tax	5	(1,396)	(3,943)
Income tax expense	6	—	—
Loss for the period		(1,396)	(3,943)
Loss for the period attributable to: Owners of the Company		(1,396)	(3,943)
Total comprehensive loss for the period attributable to: Owners of the Company		(1,396)	(3,943)
Dividend		—	—
Loss per share — Basic and diluted	7	HK(0.12) cent	HK(0.78) cent

# 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.

## 2. Basis of preparation and consolidation (continued)

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 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Artist management	1,000	948

## 4. Other revenue and other income

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

## 5. Loss before tax

Loss before tax has been arrived at after charging:

	For the three months ended 31 March	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) 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	22	64

## 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	5,056	—	47,383	28,294	4,265	(14,748)	70,250	—	70,250
At 1 January 2015	9,198	—	150,700	28,294	—	(13,406)	174,786	—	174,786
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	22,996	13,798	398,989	28,294	—	(14,802)	449,275	—	449,275

## **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.

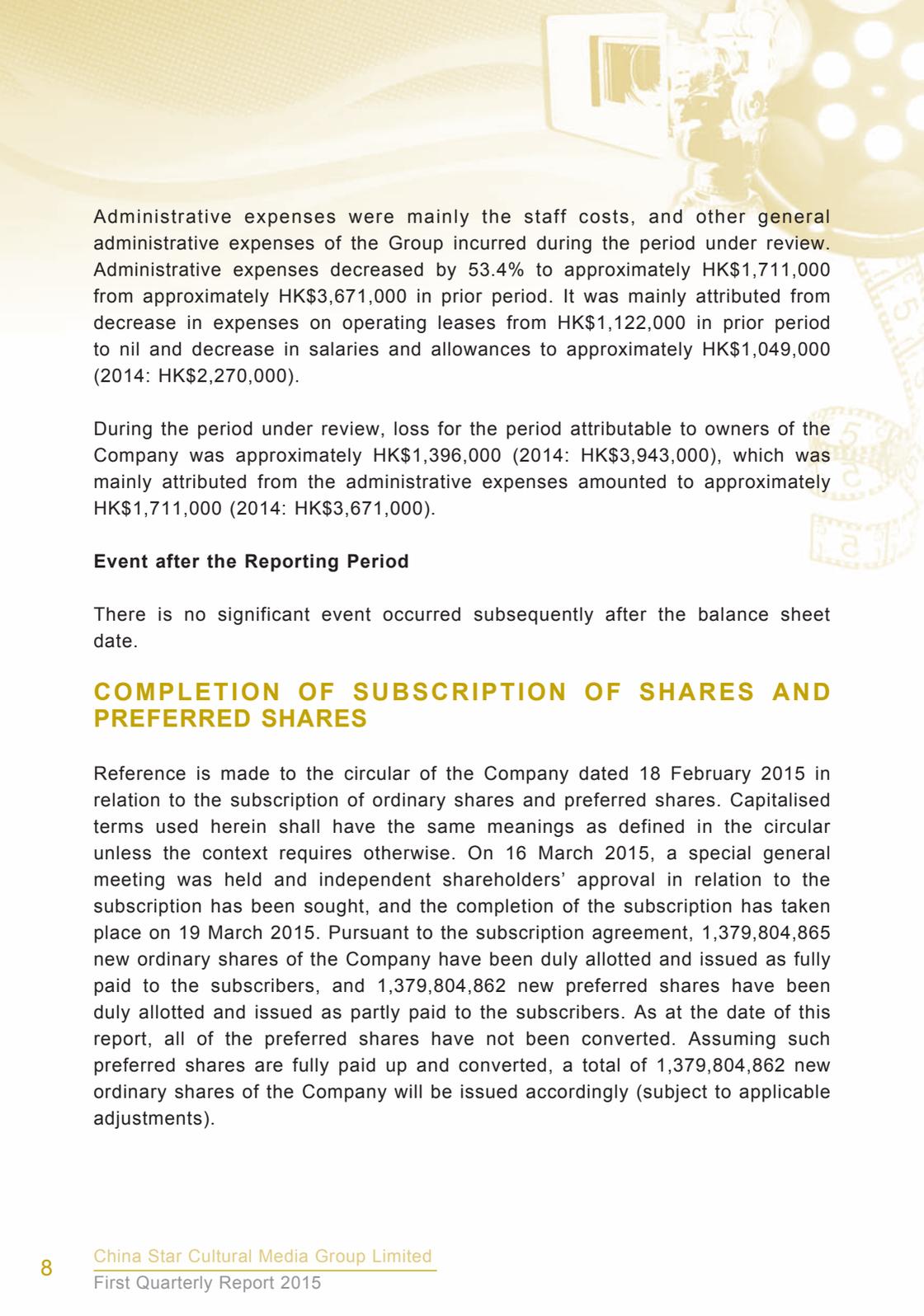
The gross profit margin decreased to approximately 25.0% (2014: 27.2%). The stable gross profit margin in such segment was in line with the management's expectation.

#### ***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 report, 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 an 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 Jiakuan (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.



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

At 31 March 2015, none of the Directors, 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.

## **SUBSTANTIAL SHAREHOLDERS**

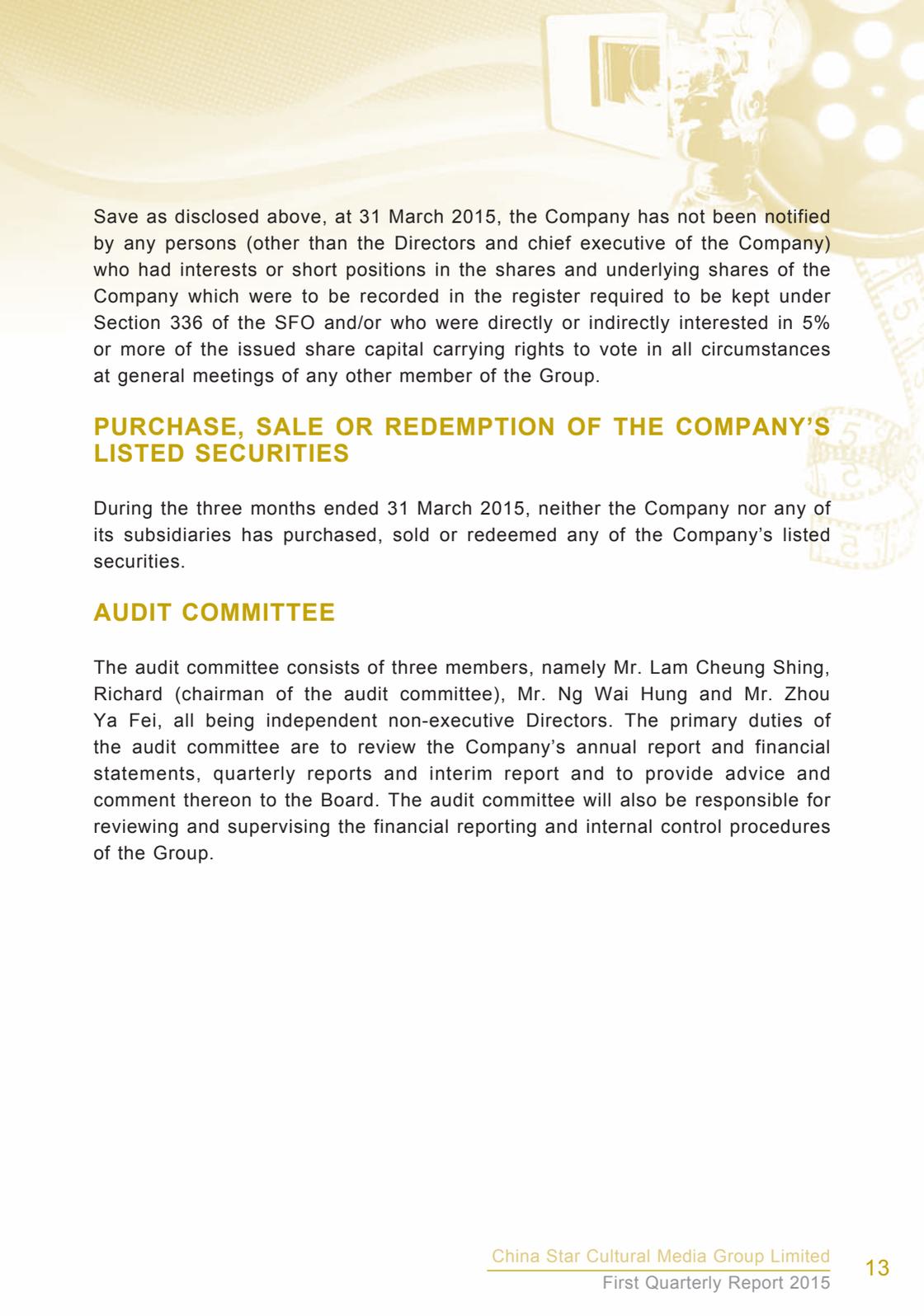
At 31 March 2015, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

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

Name of substantial shareholder	Capacity	Notes	Interest in Shares	Interest in underlying shares (Note iv)	Total interests in shares	Approximate percentage of the Company's issued share capital
Jiaxuan	Beneficial owner	(i)	965,863,405	965,863,404	1,931,726,809	84%
Eagle King International Limited	Interest of controlled corporation	(i)	965,863,405	965,863,404	1,931,726,809	84%
Mr. Wong Kwong Yu	Interest of controlled corporation	(i)	965,863,405	965,863,404	1,931,726,809	84%
Great Majestic Global Holdings Limited	Interest of controlled corporation	(i)	965,863,405	965,863,404	1,931,726,809	84%
Ms. Ma Qing	Interest of controlled corporation	(i)	965,863,405	965,863,404	1,931,726,809	84%
Vision Path Limited	Beneficial owner	(ii)	206,970,730	206,970,729	413,941,459	18%
Ms. Yu Nan	Interest of controlled corporation	(ii)	206,970,730	206,970,729	413,941,459	18%
First Charm Investments Limited	Beneficial owner	(iii)	151,778,535	151,778,535	303,557,070	13%
Mr. Ko Chun Shun Johnson	Interest of controlled corporation	(iii)	206,970,730	206,970,729	413,941,459	18%

*Notes:*

- (i) Pursuant to the Subscription Agreement between the Company (as the issuer), Jiaxuan, Vision Path Limited (“Vision Path”), First Charm Investments Limited (“First Charm”) and Reorient Global Limited (“Reorient Global”) (together being the “Subscribers”) dated 24 November 2014, which has been completed on 19 March 2015), Jiaxuan has subscribed for 965,863,405 ordinary shares and 965,863,404 convertible preferred shares of the Company. Jiaxuan is owned as to 55% by Eagle King Investment Holding Limited (“Eagle King”) and as to 45% by Great Majestic Global Holdings Limited (“Great Majestic”). Mr. Wong Kwong Yu owns 100% of Eagle King and Ms. Ma Qing owns 100% of Great Majestic.
- (ii) Pursuant to the Subscription Agreement as mentioned in note (i), Vision Path has subscribed for 206,970,730 ordinary shares and 206,970,729 convertible preferred shares of the Company. Ms. Yu Nan owns 100% of Vision Path.
- (iii) Pursuant to the Subscription Agreement as mentioned in note (i), First Charm has subscribed for 151,778,535 ordinary shares and 151,778,535 convertible preferred shares of the Company. Mr. Ko Chun Shun, Johnson owns 100% of First Charm. Pursuant to the Subscription Agreement, Reorient Global has also subscribed for 55,192,195 ordinary shares and 55,192,194 convertible preferred shares of the Company. Reorient Global is a wholly owned subsidiary of Reorient Group Limited. Reorient Group Limited is owned as to 50.3% by Gainhigh Holdings Limited (“Gainhigh”). Gainhigh is a company owned as to 75.77% by Insula Holdings Limited, a company wholly owned by Mr. Ko Chun Shun, Johnson.
- (iv) The underlying shares represent the preferred shares as mentioned in Note (i) to (iii) above. 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). The Subscribers have been granted a whitewash waiver, waiving the obligation of the Subscribers to make a general offer under Rule 26 of the Takeover Code upon conversion of such preferred shares.



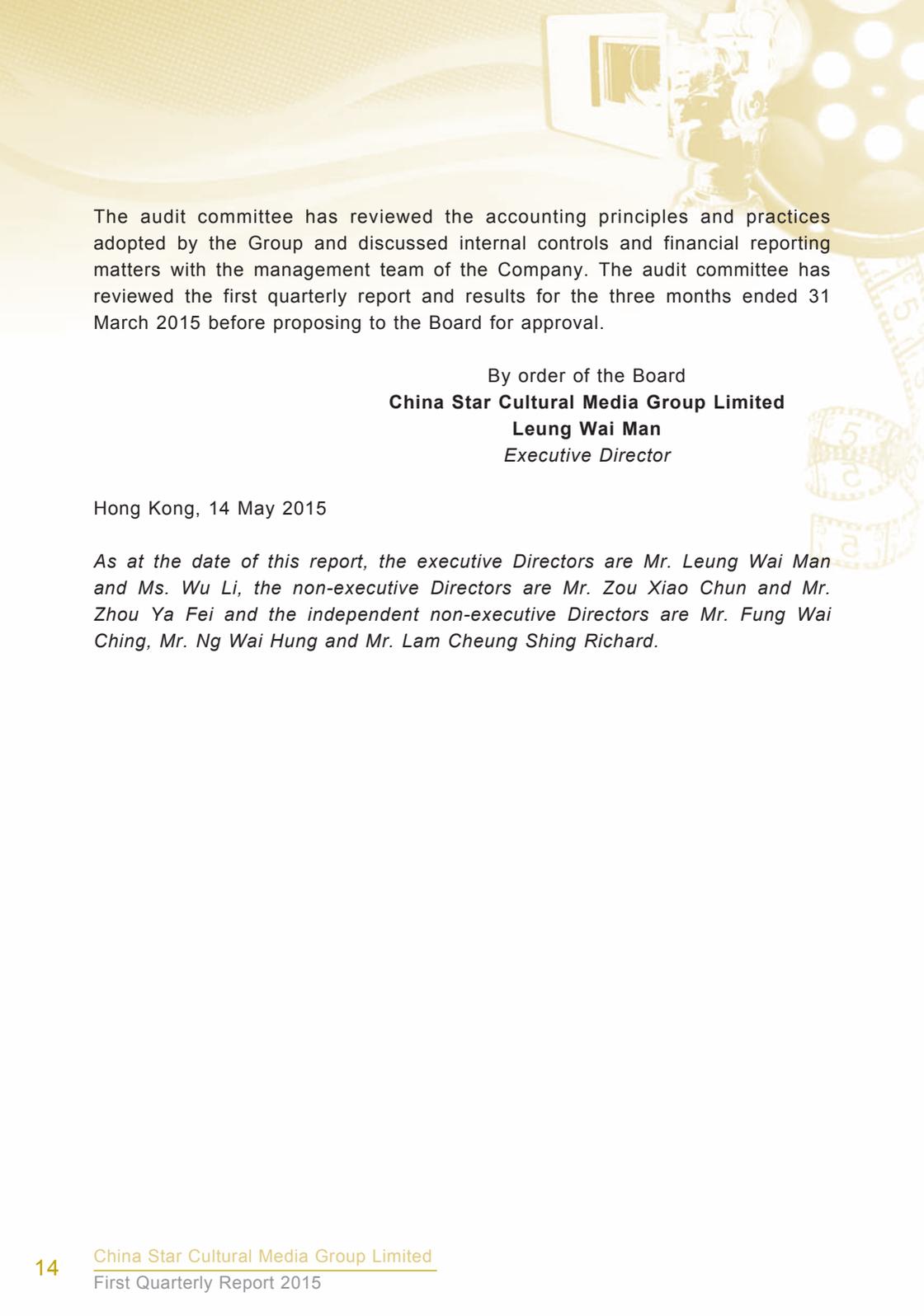
Save as disclosed above, at 31 March 2015, the Company has not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept 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.

## **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 report, 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.*